the Seventh Report of the Standing Committee on Agriculture on the National Co-operative Development Corporation (Amendment) Bill, 1995, relating to the Ministry of Agriculture (Department of Agriculture and Cooperation).

THE DEPUTY CHAIRMAN:' Now we have the Calling Attention.

SHRI V. NARAYANASAMY: Yes, Madam, I call the attention of the hon. Minister. ...*(Interruptions)*...

THE DEPUTY CHAIRMAN: If you don't call the attention of the Minister, how can I start? You are not even calling my attention.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE—SITUATION ARISING OUT OF ENORMOUS LOSSES INCURRED BY *BANKS DU*E TO IRREGULARITIES AND Stars TAKEN BY GOVERN-*WRIT* IN THIS REGARD

SHRl V. NARAYANASAMY (Pondicherry): Madam, I beg to call the attention of the Minister of Finance to the Situation arising out of enormous losses incurred by banks due to irregularities and the steps taken by the Government in this regard.

THE DEPUTY CHAIRMAN: Yes, Mr. Minister.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Madam Deputy Chairperson,

. Concern has been expressed regarding the performance of public sector banks. I wish to inform the House that in 1993-96 27 public sector banks recorded operating profits of Rs. 7,569 crores as against *Rs.* 5,628 crores during 1994-95. The provisional figures operating profits of the public sector banks for the first half of 1996-97 are higher than the figures for the corresponding period of last year.

Hon'ble Members will recall that based on the recommendations of the Narasimham Committee on financial sector'reforms, prudential accounting standards for income recognition, asset classification and provisioning were prescribed for public sector banks w.e.f. 1992-93. These standards were introduced with the objective of fostering transparency and for ensuring that the balance sheets of banks reflected actual state of affairs. The impact of these norms necessitated larger provisions for non-performing assets and for depreciation on investments which affected the profit position of the Public Sector Banks.'

The reform process has been yielding results and this is reflected in the working results of banks. Operating profits of 27 public sector banks improved from Rs. 3,069 crores in 1992-93 to Rs. 3,696 crores in 1993-94, to Rs. 5,628 crores in 1994-95 and further to Rs. 7,569 crores in 1995-96. The burden of provisioning has been exceptionally high as the banks were required to provide for the backlog of provisions in the past years. Consequently, net losses increased from Rs. 3,293 crores in 1992-93 to Rs. 4,349 crores in 1993-94. The public sector banks, as a group, finally turned the corner in 1994-95 recording a net profit of Rs. 1,116 crores. However, after making provisions towards increased depreciation on Government securities and provisions for non-performing assets, etc. the public sector banks showed a net loss of Rs. 371 crore during 1995-96. These results need to be interpreted carefully.

During 1995-96, 8 public sector banks namely, Indian Bank, Vijaya Bank, UCO Bank, United Bank of India, State Bank of Saurashtra, Punjab & Sind Bank, Punjab National Bank and Central Bank of India have incurred net losses amounting to Rs. 2,590 crore. Some of the main reasons for. the losses incurred by these banks arc:—

(i) provisioning for Non Performing Assets;

(ii) provisioning for depreciation in Government securities; and to minimise the incidence of occurr-

once of frauds-irregularities are taken" from time to time.

(iii) additional provisioning on account of short provisioning in earlier years; and

(iv) arrear payments on account of wage revisions.

The overall position of banks was reviewed critically by RBI and specific directions to improve the working of the hanks with broad emphasis on upgradatioivfccovery of non performing assets, qualitative credit expansion, reduction of cost and increasing of incomeprofitability areas were issued.

For prevention of frauds and irregularities in public sector banks, steps have been taken for strengthening the internal control and audit systems. Board level Management Committees and Audit Committees have been set up. Public sector banks have also been advised by the RBI to appoint concurrent auditors at ther large and extra large brunches with a view to detect non-adherence to laid-down procedures and prevent irregularities and frauds, if any, without loss of time. All public sector banks have vigilance machinery which is responsible for preventive and detective steps so as to prevent frauds and corrupt practices by the bank officials.

RBI constantly reviews the working of internal inspection and vigilance machinery of banks. RBI has also issued comprehensive guidelines for strengthening the control mechanism in banks. It also carries out a review of fraud cases on a continual basis advising the banks of raodus-operandi in ingenious cases along with required safeguards to prevent then-recurrence, proper training of operational personnel and investigation and scrutiny into reported cases of major frauds. RBI also conducts snap inspections of systems and procedures and control arrangements in fraud prone areas. In addition to on-site inspections which are conducted at prescribed invervals, RBI have put int place the mechanism of off-site monitoring system to enable improved supervision In order to exercise integrated supervision over the financial system, the Board for Financial Supervision (BFS) with its Advisory Council was constituted HI 1W4.

During 1995 and in 1996 (upto March), 2344 frauds involving an amount of Rs. 139 crore were detected in public sector banks. Stringent action is taken against all delinquent employees for their involvement in frauds. During 1995 and in 1996 (upto March), 38 employees of public sector banks were convicted and 1,467 employees were awarded majortninor penalties including dismissatfremoval of 379 employees for their involvement in frauds.

Thus it may be seen that the performance of public sector banks is reviewed on a continuing basis and all possible

measures to improve their profitability

THE DEPUTY CHAIRMAN: Generally we have one hour allocated for Calling Attention. But the Members have said that it is an important subject and a suggestion came that we should do away with lunch hour or we should sit down sit down after lunch. So. at this point of time I take the sense of the House. ...*(Intenuptions)*... Let me settle it first.

SHRI P. CHIDAMBARAM: Madam, the Parliamentary Affairs Minister has told me that the Supplementary Demand will be taken up in the Lok Sabha immediately after lunch. So, I am willing to sit even without lunch hour if hon. Members agree. But, I would like this to be completed so that I can go to the Lok Sabha immediately after that House resumes after lunch.

THE DEPUTY CHAIRMAN: Two o'clock?

SHRI P. CHIDAMBARAM: About two o' clock.

THE DEPUTY CHAIRMAN: There will be reply to the debate as it was here yesterday by the Commerce Minister. At what time is it? Is it immediately after lunch?

THE MINISTR OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. U. VENKATESWARA LU): Madam, 1 will check up.

THE DEPUTY CHAIRMAN: I asked it because I do not want any sort of unhuppincss to the Members. We should abide by the stipulated time.

We cannot have the Calling Attention after four o' clock. It is never done. We have to finish it now.

SHRI P. CHIDAMBARAM: Immediately after this there is U.P. Budget. Therefore, if I am present in the other House, one of my colleagues will be here and then I will come back to this House.

THE DEPUTY CHAIRMAN: I think, two hours is okay.

SHRl P. CHIDAMBARAM: We can finish this in two hours.

THE DEPUTY CHAIRMAN: The hon. Members should take care of and abide by the time. Accordingly, we will have one member from each party.

SHRI V. NARAYANASAMY: Madam Deputy Chairperson, the hon. Minister's statement is not giving the correct picture except the policy framework which has been followed by the Finance Ministry relating to regulating the functions of the banks. The hon. Minister will agree with me if I say that the accumulated loss of five banks, - Andhra Bank, Bank of Maharashtra, Central Bank of India, Indian Overseas Hank and Syndicate Bank-as on 31.03.1993, was about two thousand crores. Then, as on 31.03.1994, the accumulated loss of ten banks— Allahabad Bank, Andhra Bank, Bank of India, Bank of Maharashtra, Central Bank of India, Indian Overseas Bank, Punjab and Sindh Bank, Syndicate Bank, United Bank of India and UCO. Bank—was iibout Rs. 8,000 crores. This is the performance of banks for the year 1993-94. The hon. Minister has said in his

The Reserve Bank of India has got an audit system. The hon. Minister can tell this august House whether the mandatory audit that has to be done by the Department of Supervision of the RBI has been done periodically. My information is that it has been done only intermittently and there is no follow-up action even after the audit report is submitted, and the observations that have been sent to the banks have been floored by their Chairman. Then how can they expect that the Reserve Bank of India would effective if, even after audit and even after supervision, whatever recommendations they make or whichever lacunae they point out are not followed or filled in?

As far as the banks are concerned, they indulge in indiscriminate lending. The Chairmen, who have been given the powers, sanction, without consulting the Boards, loans running into crores and crores of rupees to some individuals or to some companies. I may tell the hon. Minister that the same security documents which have been given in one case have been used for the purpose of another loan in the same bank itself. There are cases where the same document which has been given as security for one loan has been considered for another loan, even though the value of the document is less. That is about the security system that is being followed in the banks. Apart from that, as I said initially, the Chairman of the Board is acting as if he is the sole authority of the Bank. Whatever decision is taken is not taken in consultation with the Members of the Board. The decision of the Chairman is being ratified in several cases. This is happening. Ultimately, the Members of the Board, who are public figures and others who are representatives of other banks, are not able to say anything. They have no powers. When they ask, "What is the urgency?", they say, "We will consider that." They* will not go beyond that. That is what they are saying. Therefore, Madam, the powers of the Board are limited. The Chairman has got abso-

lute powers. Therefore, they act according to their own whims and fancies. Ultimately, they favour the people whom they want to favour, and they do not bother about people whom they do not want to give loans. Oral instructions are being issued by banks to officers at the middle level. The Bank Chairman issues oral instructions to the Branches at various places for the purpose of sanctioning loans. If the Bank Manager does not follow the direction of the Chairman, he is disturbed. This is the situation prevailing as far as the functioning of the banks is concerned.

Madam, the main reason, 1 want to submit to the hon. Minister, is that in the year 1994-95, bank deposit was to be mobilised to the tune of Rs. 65,000 crores, but, unfortunately, they could not mobilise even up to the level of Rs. 50,000 crores. By that the profitability is going down. Apart from that, the total deposit with the entire commercial banks was Rs. 4,15,000 crores. ...(Time bell)

THE DEPUTY CHAIRMAN: Time.

SHRI V. NARAYANASAMY: We have to be given some more time for this.

THE DEPUTY CHAIRMAN: We have allocated 2 hours.

SHRI V. NARAYANASAMY: I am only in the middle.

THE DEPUTY CHAIRMAN: Two hours is not for you alone.

SHRI V. NARAYANASAMY: Kindly don't include the time taken for the Papers Laid on the Table.

THE DEPUTY CHAIRMAN: The Minister's reply is also included in two hours.

SHRI V. NARAYANASAMY: Rs. 4,15,032 crores was the total deposit. It was envisaged to be increased in 1996 according to the RBI figures. But it has not gone up.

Therefore, the deposits have not increased. Ultimately, what is happening is that non-performing assets are mounting. Number two, there is not much volume of business in the banks. Ultimately, the administrative expenses and the amount incurred in respect of the employees are added to it. Number three, for the purpose of turn-over, the Banks are not focussing on the business which is going to yield profit. Madam, this is very important. They should go in for a business that is going to yield profit. But they go in for quick profits, and thereby they lose the money which they have. These are the various factors which are leading to the bank losses. They have been identified by several committees, but, unfortunately, the Finance Ministry is sleeping. The Finance Ministry is not taking action. What they do is that they forward the recommendations to the Reserve Bank, and the Reserve Bank of lndia sends them to various banks. A copy is sent to the Finance Ministry. The hon. Minister, fortunately, had a review meeting with the Bank Chiefs about ten days back, and he mentioned to the Bank Officers the state of the economy.

The Minister mentioned about the complaints received from hon. Members of Parliament, businessmen and public, but, still the situation has not improved. The public impression is that the banks are not taking risks in advancing loans. On the other hand, the Bank Chiefs now find that if they touch a file, they will be in the CBI net. This fear-psychosis is there is their minds. What is the hon. Minister going to do to remove that?

I would like to sibmit that this is the feeling of the public. This is also the feeling in the minds of some CMDs. If one or two persons have committed a fraud, all of them should not be treated on the same pedestal. Therefore, I want the hon. Minister to clarify this point. All is not rosy.

Now, I would like to say something about the Madras-based bank. I would like to submit to the hon. Minister that the loan amount of Rs. 1,300 crores which had been given was written off. If the hon. Minister wants to know the

tigures I can provide them. The amount written off in respect of various companies is: MVR Exports — Rs. 380 crores; East-West — Rs. ISO crores: SM Dyechem — Rs. 150 crores; Poddars — Rs. 100 crores; Kuwait Exchange Bureau - Rs. 100 crores and Square D — Rs. 50 crores. I do not know what the guidelines of the Reserve Bank of India are and what the banking norms are. They have advanced loans even to the film industry. About 50 per cent of the loan amount has not yet been recovered. It is a fact. Madam, I would like to submit that there are other people whose loans have been written off. They include politicians, businessmen, industrialists. As far as the Indian bank is concerned, loans were advanced to politicians very generously. I am glad that the hon. Minister has taken steps to recover it. The former Chairman of the Indian Bank, Mr. Gopalakrishnan was arrested; and an investigation is going on. The Finance Ministry is taking some steps. After an inspection by the RBI, they have given certain guidelines to the bank. They have pointed out some flaws and lacunae which have not been rectified by the bank. The auditors have made adverse remarks "Credit expansion far in excess of the budgetary provision. Excess tapping of call money market. Excessive exposure to particular business houses such as MVR and East-West." These were the remarks recorded by the Reserve Bank of India, but the then Chairman has completely ignored the recommendaitons of the RBI. I would like to submit in this august House, two extensions in service were granted to him just three months before his retirement. In fact, I was a signatory to that recommendation. Initially, I did not know anything about him.

THE DEPUTY CHAIRMAN: The cat is out of the bag.

SHRI V. NARAYANASAMY: After probing into the matter, I was the first person to oppose his extension. ..... *(Interruptions)*..... If you cross swords with me, then, I will come to you also.

Madam, initially *I* signed a petition along with other hon. Members for grant of extension to him. When I came to know of his background., I was the first person to oppose it. I remarked that the Chairman had advanced loans indiscriminately to people who were not in a position to repay the loans.

\THE DEPUTY CHAIRMAN: You recommend *a* ease without an enquiry and also what the person is doing.

SHRI GURUDAS DAS GUPTA: (West bengal) This is conclusive proof how politicians become responsible for delinquency.

SHRI R.K. KUMAR: Absolutely true.

SHRl N.K.P. SALVE: You are the greatest champion.

SHRI V. NARAYANASAMY: As politicians, we recommend a case, it is for the banking authority to verify the credentials of a person, if they do not verify and advance loans, then who is to be blamed? It is not the politicians. If that be the case, my hon. friend, Shri Curudas Das Gupta would go to jail for several years. He rcommends so many cases. The culprit is somebody else.

SHRI GURUDAS DAS GUPTA: Madam. I never recommend any case. I did not recommend any case in my entire life. You can ask Dr. Manmohan Singh whether I have written a single line in respect of anybody.

SHRI N.K.P. SALVE: You might have recommended cases.

SHRI GURUDAS DAS GUPTA: I did not recommend even a single case.

SHRI V. NARAYANASAMY: Then, on the indiscriminate lending of Money.

THE DEPUTY CHAIRMAN: Mr. Narayanasamy, at some time, you will

have to conclude. Whether you give a letter or not, you have to conclude.

SHRI V. NARAYANASAMY: I am going to conclude, Madam. The strict guidelines that have been issued by the reserve Bank have not been followed. That is No. 1. Secondly, even in the Reserve Bank, what did they do when he was continuing to violate the recommendations given? They have not taken any action against the chairman. As far as banking reforms are concerned, they are the need of the hour. Is would like to submit to the hon. Minister that he should have a foolproof system by which there is some accountability of persons from the top to the bottom. What happens is, as I said earlier, at the middle level, people are accountable but not persons at the helm of affairs or at the lowest level. All the persons dealing with the matter should be held responsible. As far as banking reforms are concerned, the recommendations of the JPC have to be strictly implemented by the Government.

Thirdly, I would like to submit that the hon. Minister should give us the figures of the loans that have been written off by the various banks, especially the Indian bank. In respect of how many people the loans advanced to them were written off, right from 1988? Madam, the hon. Minister is talking about transparency. Parliament has said that the names of the people who are defaulters, chronic defaulters, who have not paid back the money for five or six years, should be published by the banks. Have you done that? It has not been done. I want the hon. Minister to lay on the Table of the house the details of the people who received loans and whose loans have been written off. That document must be laid on the Table of the House so that the public may know it.

As far as the banks are concerned, apart from bad debts, what is the total amount of non-performing assets? So many decrees have been obtained. In the case of persons who have not paid back, they went to the court and obtained dearees. But they have not taken any action thereafter. They advance loans. Thereafter; they go to the court spending money. They get a decree against the defaulter. And thereafter, they do nothing. For thousands of crores of rupees, the documents are there without any recovery. For the purpose of recovery, they have now started a procedure. It is good. But, for the pending amounts, what are you going to do? The entire banking system needs an overhaul. It has to be done.

Summing up, I want to know about these four things. I want the Jhon. Minister to tell us about what banking reforms' they are envisaging. Secondly, what action are they taking for the recovery of the debts; Thirdly, what is the total of the non-performing assets? Fourthly, I want the hon. Minister to come to the House with the details of the people against whom loans were advanced and who have not paid back. The details have to be laid on the Table of the House. Thank you.

THE DEPUTY CHAIRMAN: He is the mover of the calling-attention motion So he got that much time. Now, everybody has to put questions. Otherwise, we will not be able to finish this important subject. Gurudasji.

SHRI GURUDAS DAS GUPTA: Madam, I thought that you would kindly give me a little more time.

THE DEPUTY CHAIRMAN: I would like to give more time to all of you. But you see the problem.

SHRI GURUDAS DAS GUPTA: Madam, I sincerely regret the statement of the hon. Finance Minister because he has not been able to put his fingers on the facts of life even after presiding over the Ministry of Finance for six months. I regret because he has not expressed any concern about the way the banks are being run or made to run. I regret because there is an underlying sense of satisfaction; 1 regret because in the

beginning of his statement he says: "There has been an increase in operation of profit." There is a new connotation of operation of profit. This new connotation has been discovered only to cover up the real state of affairs. Why has there been an increase in operation of profit? His concern should have been at the reality that the net profit of banks has declined and now it is negative.. The negative profit of the entire banking system was Rs. 370 crores in 1995-96. All this has happened after the Scam; all this has happened after the Joint Parliamentary Committee submitted its report; all this has happened after there was a revulsion in which the criminals have taken over the financial system of the country and all this has happened after there was a concrete assurance from the previous Government that things would be made to turn round. Madam, this statement, unfortunately, is the repetition of what the former Finance minister had been saying on this in this House. In the statement of the hon. Minister there is no commitment to bring about an improvement. The hon. Minister does not feel it necessary to tone up the things, to improve upon the things to make the things a little better. There is no commitment for improving the situation. On the other hand, there is an excuse for intolerable inaction. Since the time at my disposal is very short. I begin by saying that the real issue before the country is whether the banking system, as a part of the financial system -is doing better today than it has done in the past. I am speaking in the background of the Scam where Rs. 10,000 crores were lost. The question is whether in the post-Scam period, the Government has been able to realise the seriousness of the situation; the question is whether savings that we have put in the banks are all protected; the question is whether enough safeguards have been provided to prevent delinquency in the banking system. This is the real question. Why has my friend. Mr. Narayanasamy, raised this issue? It has been raised to draw the attention of the Government to the serious situation even in the post-Scam period. Why do I say that the situation is bad? Let me give you some latest facts. It was in the Urea scandal that rocked the country recently that the State Bank of. India has been found to be violating all the norms of the normal banking transactions. It has happened because of the fact that no adequate security was called for before the money was sent outside, without receiving a pound of urea. This has happened only recently. Kindly remember that this is the same bank—the State Bank of India—which we called the Bank of Harshad Mehta. It is the same bank where there has been continous perpetration of illegality. My friend has said something about the Indian bank. But he has not given the complete picture. Whatever he said was not a complete statement. The Department-related Standing committee on Finance asked the management of the Indian Bank why there have been so much of losses. What was the answer? I am reading out the answer.

> "Our bank reported a net profit of Rs. 14.26 crores for the.year ending 31st March 1995. However, the Reserve Bank of India has advised us to recast the balance-sheet after rectifying the mistakes in assets classfication, provisioning on advances and instruments."

What does this mean? what was the advice? It was not an advice.

It was a mandatory order. The Reserve Bank has issued a mandatory order for provision of assets. Therefore, the order of the Reserve Bank was violated; therefore, the balance-sheet of the Indian Bank was manipulated; therefore, the whole thing was covered up deliberately by the management of the Indian Bank. How could this have been done? My question to the hon. Minister is: How could this have been done after so many changes in the order of the Reserve Bank? How could this have been done?

Why did the auditors agree to violate the provisioning norms set by the Reserve Bank of India? Why? Why did the auditors fail? How could this balance-sheet have been passed in the meeting of the Board of Directors where the representative of the RBI was present? Therefore, the question is that the rule is not being observed. It is more violation than observance, and it is still continuing. The . process of illegality is still-continuing, and the hon. Minister does not find it necessary to express concern at the rise of criminality in the banking system even after' so many years of detecting the scam! Madam, the same story fits in here. Who had appointed Gopal Krishnan? This Bank, in one year, has lost Rs. 1,336 crores! My hon. friend did not quote the correct figure. How could such huge losses be booked by a single bank? What was the reason? The reason was the Chairman was delinquent! The reason was the Board of Directors did not function! The reason was the representative of RBI did not function! There was no restraint. Nobody could restrain. After the money was lost, he had been sent to CBI! Is that enough? Why had this been taking place? Why? There was no statutory safeguard? What is the safeguard that could have prevented it from taking place? Madam, here also, there is the same story. This Gopalakrishnan was appointed Chairman of this Bank when it was all known that he was not an honest man! You don't know The Executive Director of RBI had opposed his appointment. Such a person was appointed Chairman of the Bank! And then two successive extensions were given. The way, Pherwani—Madam, only history repeats itself—was appointed Chairman of the National Housing Board, the way Margabandu was appointed Chairman o' the UCO Bank, the same way this mar was appointed to loot the Bank to the extent of Rs. 1,300 crores!

THE DEPUTY CHAIRMAN: I hope. not our Margabandu! Not you, *na?*

SHRI R. MARGABANDU: No, 1 amn't.

THE DEPUTY CHAIRMAN: Mr. Gurudas Das Gupta, since you have taken this name so frequently, I have to ask him.

SHRl GURUDAS DAS GUPTA: Infamous Margabandu, not my hon. colleague Margabandu.

THE DEPUTY CHAIRMAN: It is because he is going to speak now.

SHRI MA. BABY: He can defend himself, Madam. He is present here.

SHRl GURUDAS DAS GUPTA: Madam, the question is that history is only repeating itself. The question is, the norms of RBI can be violated with impunity. The question is the guidelines of the RBI is not that strong enough as to prevent criminality being perpetrated; the same old story, free for all. Madam, if this is the position about the Bank of India, then what about the foreign banks? What about the foreign banks? Madam, the Joint Parliamentary Committee unanimously produced a report and found that 90 per cent of the illegalities were done by the foreign banks. We suggested norms, we suggeted standards, we ' suggested regulatory meehanism; we suggested that something strong enough should be done to prevent the foreign banks from diverting funds? We suggested it. Was it carried out? What does the hon. Minister say in reply to my question? Madam, 1 had asked a question; in reply to that, the hon. Minister says—it is dated 3rd December, 1996.:

> "The instructions/directives issued by Reserve Bank of India (RBI) except where the guidelines are foreign-bank specific, are applicable to all scheduled commercial banks including foreign banks, violation of certain RBI guidelines were noticed in the case of certain foreign banks and

depending upon the gravity of irregularities, either penalty was imposed or banks, were cautioned by issue of letters of displeasure. Such violations re.laled to default in maintenance of Cash Reserve Ratio (CRR)....."

....or statutory liquidity ratio on some occasions, non-computation of figures of liabilities for computing CRR/ SLR in the prescribed manner, acceptance of deposits, making investments in shares and debentures in excess of the stipulated limit or granting advances against the consortium discipline which were not in conformity with the RBI instructions. In the recent past the inspection reports on certain foreign banks have disclosjtt violations in regard to discounting of bills, ..."

Will the hon. Member remember that this is one of the suitable methods to loot the banks?

".....consortium lending, sanction of bridge loan, sanction of advance against the security of shares, etc."

The hon. Minister agrees that the foreign banks had been doing this. The foreign banks are guilty in many cases, if not in all cases, of serious violation. Then where is the departure? In 1993-94 when we submitted the Report we pleaded for action against the foreign banks. We pleaded for setting up of a regulatory mechanism. Now after so many years the foreign banks are continuing with impunity the same illegality in the country. If this is so, how has the situation improved? How will the situation .improve in this country? How? Why hasn't it improved? The hon. Minister gives an explanation to the situation which is prevailing. There is no concern. There is only satisfaction. There is no commitmen. for improvement. There is only an apologia for inaction.

statement that they have taken all possible steps—internal auditing, follow up of the RBI guidelines and various Other measures—for the purpose of arresting bank frauds and also to minimise the bank losses. I would like to reiterate that the banks are incurring heavy losses. If we go through, especially bank-wise for the last two years, then we will know the factual position. Madam, most of the banks are incurring losses. I would like to submit that Allahabad Bank for the year 1994-95 incurred a loss of Rs. 76.36 crores; Andhra Bank incurred 43.57 crores; Bank of Maharashtra incurred 40.80 crores; United Bank of India incurred Rs. 197.23 crores; UCO. Bank incurred 83.81 crores, and there are several other figures as far as bank losses are concerned. Several guidelines were issued by the Reserve Bank of India and the banks have been asked to follow them. Unfortunately, we find, in many cases, floating of various recommendations and guidelines issued to the banks.

Madam, Shrimati Indira Gandhi, former Prime Minister of India, had brought bank nationalisation for the purpose of reaching the needy people especially in the rural areas, farming community, small traders apart from businessmen and industrialists. But, unfortunately, the theme and theory that has been enunciated by Shrimati Indira Gandhi has 'not been strictly followed. Today, the situation is, if a small man in a village, goes to a bank for loan, then the bank will apply all the rules strictly. I appreciate it because the bank should take all precautions for the security ofl advance that has been given. But, unfortunately, the same yardstick is not ap-plied{ plied to big industrialists, businessmen, exporters, etc., by various banks. Therefore, this is the reason for this sorry state of affairs in which the banks are functioning today. Madam, I am not blaming this Government or the previous Government. 1 am only blaming the system,

Various committees went into the matter. We had the report of the Narasimham Committee. The hon. Minister has mentioned about it. We had the report of the Ghosh Committee. Then, the report of the Padmanabhacn Committee on banking reforms and the various procedures that have to be followed. Now, let the hon. Minister say whether any of the guidelines or recommendations given by these various committees have been strictly followed by the banks.

The CMD, the Chairman sitting at the top, and the person who is below are not accountable. On the other hand, the Branch Managers and the Managers have been blamed for the losses incurred by the banks. Where is the system by which you can exercise control?

1 have gone through the statement made by the hon. Minister. Madam, I would like to remind this august House. When the loan mela scheme was launched, there was a lot of criticism from the other side. It was said that the Government was indiscriminately opening bank branches and giving loan to the people. But today, as per the figures, we find that more than 80 per cent of the people who had taken loan have paid it back. On the other hand, the people who had taken hundreds of crores as loan, i.e. the industrialists and businessmen, have not repaid it. If they had repaid this huge amount, the banks would have been in a position to get over the losses. This would have enabled the Government to recapitalise and give more funds to the banks, for the purpose of bringing them from out of the red.

This is the situation which is prevailing. The latest example has been the securities scum. 11 was an eye-opener for the banking sector. Initially, it was said that it was of the order of Rs. 1,000 crores. The issue was raised in this august House. The Government, at first, said that there was nothing. Then, a JPC was appointed. Hon. Members went into the issue. Ultimately, the Committee made its recommendations. The Committee made very valuable and important recommendations to the Government on banking reforms. Unfortunately, today, I find that none of the recommendations—the recommendations were, in fact, accepted by the Government; in the Action Taken Report submitted to this august House, all the recommendations were accepted by the Government—have been implemented. They have not been implemented in their letter and spirit. Why? 1 would like to know from the hon. Minister as to what are the bottlenecks. Banking reforms is the need of the hour. This is very much important in the light of the volume of business that is taking place, the exports being made, the industrialisation which is taking place, and, above all, the need to give credit facilities to the people who are living in the villages.

The banks are now concentrating only on mobilising deposits. They are not lending money. After this Government came into being, they started conducting CBI raids on various banks. The people who are at the helm of affairs, the Chairmen and the Managing Directors, have not granted loans to the people who are in need; whether they are industrialists or businessmen. It is for this simple reason. They think that if they touch any file, the CBI would be after them. Therefore, the genuine people, the people who arc doing business, the people who need money, the people who have to be helped, have not been helped. On the other hand, the people, who committed frauds went out. This is what is happening.

in his statement, the hon. Minister has said in a very careful manner—perating profits'. He says that the operating profits have gone up to Rs. 7,569 crores in 1995-%. as against Rs. 5,628 crores in 1994-95. But What is the actual profit? Let the hon. Minister inform this House.

SHRI SURINDER KUMAR SINGLA (Punjab): Net profit.

SHRl V. NARAYANASAMY: What is the net profit?

SHRl G. SWAMINATHAN (Tamil Nadu): Minus.

SHRI V. NARAYANASAMY: What is the net profit earned by the public sector banks during the last... -

SHRI SURINDER KUMAR SINGLA: Negative.

SHRI G. SWAMINATHAN: I said 'minus'.

THE DEPUTY CHAIRMAN: So many promptings confuse the Member.

SHRI V. NARAYANASAMY: I am very clear in my mind, Madam. I have gone through the statement.

SHRI N.K.P. SALVE (Maharashtra): It is a very valid question he is raising.

THE DEPUTY CHAIRMAN. Don't get confused. Put your question.

SHRI G. SWAMINATHAN: Madam, the statement itself says that the public sector banks showed a net loss of Rs. 371 crores during 1995-96.

THE DEPUTY CHAIRMAN: He has got the statement with him.

SHRI V. NARAYANASAMY: In one bank alone, the loss was more than Rs. 1,300 crores. The profit earned by the bank was Rs. 1,000 odd crores. But this was completely wiped out and, ultimately, the bank incurred a loss of Rs. 300 crores. Madam, after 100 years, the Punjab National Bank which was earning profits earlier, had lost Rs. 96 crores in the year 1994-95. The Vijaya Bank, which was earning profits earlier, lost Rs. 250 crores in one year, not to speak of the Indian Bank which had lost, in one year alone, more than Rs. 1,300-odd crores—about which some hon.Members were telling me. The Government gave Rs. 850 crores to the UCO Bank, the Bunk of Maharashtra and two other banks in 1994-95 for the purpose of recapitalisation in order to bring these banks out of the red. Except three, four banks—the State Bank of India, the bank of Baroda and two other bankes—all the other banks are not earning any profits. This is the state of affairs. The other four banks—the UCO Bank, the Bank of Maharashtra and two others—have now started coming out of the red, thanks to the Rs. 850 crores given by the Government. But, are the public sector banks in this country operating only for money from the public exchequer being pumped into them whenever they run into losses? On the contrary we find that the private sector banks—and I am not advocating private sector banks—are earning profits. Why are the public sector banks losing? Because there are no checks and balances, because the guidelines, rules and regulations are not being followed strictly. And, unfortunately, when the Government started taking action, they are doing it indiscriminately against all the people.

Madam, the recommendations of the JPC are very clear, The JPC report submitted in 1993 has identified the poor control and supervisory system of the RBI, as the primary systemic cause of the scam. It also made a number pf recommendations for centralising the RBI control and supervisory system. Even after that is accepted by the Government, the Government has not taken any steps to sec that there is a foolproof system by which the banks can be controlled.

Madam, let me give you more instances. When the shares of the Essar Oil company were under-subscribed, who bailed it out? It was bailed out by the State Bank of India. What was the economic reason for bailing out the Essar Oil company when the shares were under-subscribed? What was the economic reason given? When the Escort Tractors and the Escorts Ltd. had merged the UTI lost heavily. The UTI is not a nationalised bank. It is a developemnt bank under the control of Government of lndia through, of course, SEBI. It is well known that the UTI had incurred heavy losses due to private investment on Reliance shares. It is well known that the

UT1 has lost almost its jewels and is now left with the gems in its treasure. That is the condition of the UTI. If you look into the balance-sheet of 19 banks for 1995-%—let me answer my hon. friend, Mr. Narayanasamy about the state of affairs—the total advance of 19 banks is of the order of Rs. 1,35,361 crores. Of this commercial advance, Rs. 50,000 crores is non-performing assets. Of this Rs. 1,35,361 crores advance, Rs. 25,000 crores has already been termed as bad debt. Therefore, a question arises. *(Time bell)* ..... Yes, I am concluding, Madam. Why is the situation obtaining in the banks allowed to remain so serious? Why? The important recommendations of the Joint Parliamentary Committee are still not being implemented. What was our suggestion? We wanted a separate audit commission. It is the failure of the audit. In a way, it is responsible for the fraud in the banks. It is non-reconciliation of inter-bank accounts. It is-non-reconciliation of inter-bank accounts (hat is largely responsible for covering up the fraud to a large extent. Therefore, to make up the deficiency we suggested that there should have been a separate audit commission. Why has it not been done? Why can't a Parliamentary Committee be given the responsibility of looking into the performance of the banks? We wanted Parliamentary control. The other day the hon. Finance Minister said that Parliament was his master. If it is so, how is it that Parliamentary control over the functioning of the banks is not being accepted even now?

Madam, my point is this. Why can't the secrecy clause be given a go-by? Why should there be a secrecy clause? When you are losing thousands of crores of repees, when the country stands to lose, when you have to allocate Rs. 15,000 crores from the budget for making up a loss and for bringing about an improvement in the capital adequacy of the banks, why can't the secrecy clause go? The suggestion of the Joint Parliamentary Committee was there should be an expeditious trial. Madam, do you know none of the leading players of the scam beginning from Harshad Mehta to Margabandu, a former Chairman of the UCO Bank, has been booked till now? I would like to inform the Houe that Harshad Mehta is back to business. Harshad Mehta is back to business in the National Stock Exchange through his nominee and through his agents. It is not enough to send them to jail. What is necessary is expeditious trial and strict enforcement of the law. India is a country where investigations are delayed and enforcement of the law depends on the sweet will of the executive. May I get an assurance from the hon. Minister that he would take steps for expeditious trial and for the enforcement of the law and it would be according to the merit of the case and no political consideration will be there? If it is so, let him come out with a statement.

THE DEPUTY CHAIRMAN: Will you please conclude?

SHRl GURUDAS DAS GUPTA: I am concluding. I would like to suggest two things. I would suggest that the Recovery Tribunal Act must be amended because it docs not have enough teeth. Lastly, the reduction in the non-performing assets is a consequence of extensive financial jugglery. Reduction of MPA is a conseequence of extensive financial jugglery. 'Writing off' is not wrong. But there should be a set procedure for writing off bad debts. In our country those who give loans, are the same set of persons who write off the loans. Prosecutor and judge are the same. In other countries, there are agencies which are given charge of writing off of loans. In many countries problem loans are sold after a discount. It is that agent who carries out writing off and recovery. In our country it is the Chairman of a bank who gives loans and it is the same Chairman who writes off the loans. Things are drifting too fast. If liberalisation has to be made meaningful—it is their philosophy—if

they want to implement the policies ot liberalisation in a more fruitful way, there has to be a safeguard. Unguarded liberalisation is going to be a catastrophe

SHRl SATISH AGARWAL (RAJASTHAN): Madam, the two hon. Members who have spoken before me, have taken one hour. They have made very valid points. Without elaborating further on those points, I join them on those issues and I endorse whatever they have said about the banking sector. Madam, I had given notice for a Calling Attention Motion covering the entire gamut of the total mal-functioning of the public sector banks. Shri Narayanasamy also gave notice regarding frauds. The hon. Chairman combined both the notices. Since Shri Narayanasamy gave notice before me, he got the first chance to speak. Anyhow, I have no grievance against him because he is a friend of mine.

Mr. Narayanasamy will continue to be a friend. If he does not associate himself with persons like Gopalkrishnan. Madam, Deputy Chairperson. 1 am really disappointed at the statement of the hon. Finance Minister who has tried to depict a rosy picture of the functioning Of public sector banks. I am not going to criticise the functioning of public sector banks just for the sake of criticism or to win over certain points. I do not want to quote what transpired in the meetings of the Standing Committee on Finance. A study-group. under my convenership visited Bombay and Bangalore. Another group went to Calcutta, Hyderabad and Madras. I am not going to disclose all that transpired in the meeting. But the impression that we gathered was that of total chaos and mis-management. Corruption is writ large in the functioning of public sector banks.. Something needs to be done in this behalf very urgently; otherwise, the scale of the 1992 scam will appear as a dwarf in the coming years when we will have bigger scandals. When I talked about the Indian Bank during the Question Hour, the hon. Finance Minsiter tell offended. Mr. Minister, you were very much offended on 19th November, 1996 when I raised the issue of Indian Bank. Now, Indian Bank is a classic case in itself. I think, of all the 27 public sector banks, this is the only bank where the prescribed eight per cent capital adequacy norm has not been achieved. It is negative. Its net worth is completely eroded. A profit of Rs. 1400 crores in 1994-95, was converted into a loss of Rs. 1336 crores the next year because of a revised audit directed by the Reserve Bank of India. Mr. Finance Minister, wil] you take up only this bank and order a high-level judicial inquiry into extensions granted to Mr. Gopalkrishnan when his term expired in 1992? How were the extensions granted? On whose recommendations were they granted? He continued to be in this position for three years till 1995. Who are the beneficiaries of this Indian Bank scam? How many members of Parliament—present and past—are beneficiaries? You must not hesitate to order a high-level investigation or set up a judicial commission to look into this. You must be proud of it. This bank was originally set up by the Chettiar community who were your ancestors. Do not treat this bank as an ancestral bank of the TMC people. Your people, unfortunately, behave in that way. I do not want to quote any more figures. Mr. Narayanasamy admitted his guilt in recommending extensions from 1992 onwards ....*(Interruptions)*...

SHRI V. NARAYANASAMY: When I came to know of this. I was the first person to oppose his extension.

[The Vice-Chairman (Shri G. Swaminathan) in the Chair]

SHRI SATISH AGARWAL: Better late than never. Despite the direction from the Reserve Bank of India—it had sent a strong report to the Banking Division in the Ministry of Finance against granting of extension—extensions were granted from 1992 till 1995. All these scandals took place during his

tenure. Later he joined the TMC party. These issues were raised here in Parliament. These issues were raised in the Finance Committee. Ministry officials were grilled. I do not want to say it, but it was only after that, the CBI swung into action and he was arrested along with his they colleagues and they were denied bail. I put-a supplementary question on 10th September 1996, Mr. Finance Minister. I have got the proceedings with me. When I made the suggestion to you that the Finance Ministry is sitting tight, they are not giving sanction to register a case or to prosecute him, you answered that on that day. You said, "My learned friends suggestion is wrong. I still hold and I still say and assert and make a restatement that it was in 1992 and 1992 onwards that CBI was seeking permission from the Ministry of Finance for registering a case against Mr. Gopalakrishnan, the' Chairman of the Indian Bank and I asked you, then during the supplementary question, "why arc you sitting tight over it? You said, this is the ingenuity of the Member that he twisted the supplementary in such a way as to embrass you by bringing this question of the Indian Bank. It was absolutely, not...

SHRI P. CHIDAMBARAM: You see the records.

SHRI SATISH AGARWAL: I have brought the proceedings with me.

SHRI P. CHIDAMBARAM: Please read the portion. What was the main question and what was your supplementary?

SHRI SATISH AGARWAL: Supplementary may be twisted. I agree. I said, "In the case .of all these banks, particularly, the Indian Bank, there is a loss' of Rs. 1400 crores. You are not taking any action. There may be some political compulsions because TMC people are involved in it. What is the position? The CBI has made inquiries and has reported to the Finance Ministry. It has sought the Finance Ministry's approval for going ahead in the matter and the Finance Ministry is unfortunately sitting tight over it for the last three years. What is the position in this fegard?" Then you said, "I will answer very question on the Indian Bank" and then you said....

SHRI P. CHIDAMBARAM: Please read the whole answer.

SHRI SATISH AGARWAL: I cannot waste my half an hour on this.

SHRI P. CHIDAMBARAM: Then you please give it to me. I will read it.

SHRl SATISH AGARWAL: You can ead it. 1 don't mind it. Then why don't you hold an inquiry? I am not Dr. Subramanian Swamy who is holding a Press Conference and you must have seen what he has said about this. I do not share all that. But he has made a public statement. Why don't you deny it? He has charged you and your TMC people including the Chief Minister and your colleagues regarding involvement in the Indian Bank scam. If you deny that, issue a public statement.

SHRIMATI JAYANATHI NATARAJAN (Tamil Nadu): Sir, I have a point of order. *(Interruptions)* My point of order is, ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Let me hear the point of order. *(Interruptions)* Please sit down. What is your point of order?

SHRIMATI JAYANTHI NATARAJAN: My point of order is, while my learned colleague, Shri Satish Agarwal was speaking, he was saying something about the Finance Minister.

The Finance Minister is here. No doubt he will reply. He has also mentioned the names of the Chief Minister and of who is a colleague in this House. 1 say, Sir, that Mr. Agarwal undeT the Rules of procedure, cannot say anything about a colleague in this House or about the Chief Minister who is also absent, without giving proper notice to him and raising the issue in a proper form. This

should be struck off the record. He cannot say anything about a colleague in the House and another Member of Parliament who is also a Member of this House. Let him say what he wants to jay about the Government and about the subject under discussion. Therefore, Sir, you should please ask him either to withdraw it or direct him not to make such statements.

SHRI SATISH AGARWAL: Mr. Vice-Chairman, let me be clear. I was referring to the statement of Dr. Subramanian Swamy.

SHRI R. MARGABANDU (Tamil Nadu): The Members of that party are here Shrimati Jayanthi Natarajan is here to rebut a. The Leader of the party, should be present here to rebut it.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I will tell you the procedure. Normally,....

SHRI SATISH AGRAWAL: Mr. Vice-Chairman, I 'take special precaution' in mentioning anybody's name. I was referring to Dr. Subramanian Swamy's Press Conference which had appeared on 9.12.1996 and in the *Hindustan Times* on 18.11.1996.....*(Interruptions)*...

SHRIMATI JAYANTHI NATARAJAN: He should make his own statement. He cannot make a charge by putting words in the mouth of somebody else.

SHRI GURUDAS DAS GUPTA: Sir, what I am saying is, we are discussing a very important national issue. The problem is in the Indian Bank, let us maintain the standard of the discussion at that level and I will only request my hon. friend Shri Satish Agarwal, not to allow the discussion to get degenerated.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Agarwal, what happens normally is ....*(Interruptions)*...

SHRI SATISH AGARWAL: I cannot speak what she likes me to speak. I am only referring to what Dr. Subramaniam

Expunged as ordered by the Chair.

Swamy has said ....*(Interruptions)*... 1 asked the Finance Minister to clear the matter, to hold an enquiry.

SHRIMATI JAYANTHI NATARAJAN: How can he use Dr. Swamy's statement in the House. How can he level charges against a Member of this House? ....*(Interruptions)*...

SHRI SATISH AGARWAL: I am not levelling charges against anybody. I am just quoting from what Dr. Swamy has said.

SHRIMATI JAYANTHI NATARAJAN: Sir, he cannot level charges based on newspaper reports .... *(Interruptions)*...

THE MINISTER OF SURFACE TRANSPORT (SHRI 'T.G. VENKATRAMAN): Mr. Vice-Chairman, Sir, he cannot say like that. He cannot take the name of an hon. Member who is not present .... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Agarwal, the point raised by Shrimati Jayanthi Natarajan is that is a Member of this House and, therefore, you should not say anything against him without giving him a proper notice. When you have 'to make an allegation against any other Member of this House, you have to give a proper notice. Otherwise, you would not take his name. As far as the mention of 'Chief Minister' is concerned, Mr. Agarwal did not take his name. But it will not be fair because Members beloning to his party are there. Moreover, he is not connected with the TMC party. He said, 'the Chief Minister of TMC. There is no Chief Minister of TMC party. He belongs to the DMK party. The leader of the TMC is not the Chief Minister of Tamil Nadu. Anyhow, Mr. Agarwal, please don't take the names.

SHRI SATISH AGARWAL: Mr. Vice-Chairman, Sir, I abide by your observation. I only wish my Finance Minister to stay clear of these clouds and
doubts.

SHRl P. CHIDAMBARAM: Do you share the charge?

SHRI SATISH AGARWAL: No, it is not like that.

Then, what is the capital adequacy of the Indian Bank? It is negative. In the case of Andhra Bank, it is 5.07%; in the case of Central Bank of India, it is 2.63%; in the case of Indian Bank, it is negative; in the case of United Bank of India, it is 3.5%; and in the case of Vijaya Bank, it is nil. What is the position of these banks? They are going into the red. In your own statement, you have admitted of a net loss of Rs. 371 crores during 1995-96. We nationalised the banks to benefit the economy, to benefit the common man. Over the years, from 1969 onwards, for more than 27 years, we have been seeing the working of the public sector banks. Now and then, cases of fraud are coming out. Cases of defaulters are coming out. A huge non-performing assets are there. Mr. Minister, do you have the figures ot non-performing assets? Public money is involved. Depositors are being duped. Accordng to the statistics provided by your Ministry, in reply to some of our questions, the total non-performing assets of the public sector banks stood at Rs. 41,000 crores which comes to about 25% of the total advances made. Of the total advances, 25% represents non-performing assets. You are trying to bring down the figure by writing off some loans, by changing the accounting methods and by resorting to some other methods. This is not a proper way to bring down the figure of non-performing assets. You are not prepared to disclose the names of the defaulters. You are not prepared to disclose the names of the big defaulters. You are not prepared to publish their names. Nobody knows who they are. Parliament is totally in the dark. Whenever banks need money, you give them budgetary support—Rs. 5,700 crores were given to them-in order to enable them to achieve the capital adequacy norm. It is this Parliament which has given you the money. You are " taking money from Parliament just to achieve the capital adequacy norms of the banks. But we do not know ....*{Interruptions)...*

SHRI GURUDAS DAS GUPTA: More than that.

SHRI SATISH AGARWAL: Even more than that. But we do not know what is happening. We do not know the names of the defaulters. They are getting money from x' bank, 'y"bank or 'z' bank. Mr. Gurudas Das Gupta has made references to certain cases of cheating, fraud, collusion, etc. There has been cheating, there have been fraud cases. There have been collusion cases. All this cannot be permitted to go on like this. My respectful submission is that this Government should sincerely implement that Revised Action Taken Report. Regarding JPC, it made certain recommendations. Its Chairman, Shri Ram Niwas Mirdha, belongs to the ruling party. After all, the report of the JPC is a unanimous one and it is not being implemented in toto. You are not learning any lessons from that report. Even now, the same delinquency is there in the banking sector. I do not want to go into the details any more. But I say that you should not succumb to the pressures of the industry regarding raids on the wrporatc houses. You should not succumb to the pressure of the banking sector regarding raids on the delinquent officers. You should not stop these raids, even if Joginder Singh resigns and goes away. You should not do anything of the type by which the defaulters could go scot-free.

Expunged as ordered by the Chair. I come to wining off loans. The Parliament does not know how many loans you have written off and which are the parties whose loans you have written off. Why don't you provide that information to the Parliament? What effective steps are being taken to bring down the non-performing assets? The only method is that you write off the

losses and the non-performing assers will come down. This is no method.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Satish Agarwalji, there are eleven more Members who ! have to speak.

SHRI SATISH AGARWAL: But two members took one hour..

THE VICE-CHAIRMAN (SHRI G. SWMINATHAN): I was not in the Chair.

SHRI SATISH AGARWAL: Mr. Vice-Chairman,...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): You please hear one. There are another six Members and the hon. Minister has to leave around 2 o'clock. So, the time is very much limited.

SHRI SATISH AGARWAL: Mr. Vice-Chairman, nobody can do justice with such a subject where hundred thousand crores of rupees are involved in public sector banks. That is public money. They are in the red. They are incurring losses. Frauds are taking place. Collusion is there. Corruption is there.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): You are such an erudite Member and you have so much of information that you will not be able to complete. That is the problem.

SHRl SATISH AGARWAL: I am sorry that I showed you all that information that is there in my bag. I have got files and files.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I would recommend that you show all those to the hon. Finance Minister.

SHRI SATISH AGARWAL: No. He already knows many things. It is only a question of action. He has to be action-oriented. I am not saying that he is ignorant about the functioning of the public sector banks.

SHRI V. NARAYANASAMY: Then you writ a letter to him.

SHRI SATISH AGARWAL: No. 1 arc not going to write a letter. He knows much more than what I know. Anyway, Sir I will abide by your direction.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): No, I am not saying that you conclude. You take another four minutes and conclude.

SHRI SATISH AGARWAL: Now, there was a survey conducted by Business Plus and MARG. They have come out with a report where the public sector banks have been rated the most corrupt. I am not saying this; It is the survey which is saying this. Now, I am ashamed of it that my public sector banks are rated as the most corrupt in the country. I think the foreign banks are even more corrupt, but they have been rated as being better than the public sector banks. The private sector banks have also been rated. as being better than the public sector banks.

SHRI GURUDAS DAS GUPTA: Mr. Agarwal, do you believe that yourself?

SHRI SATISH AGARWAL: It is not a question of my belief. I am saying that I am ashamed of such a situation. Mr. Gurudas Das Gupta, you may be having a hundred per cent brief on public sector and nationalisation, but my party stands for privatisation to which you may not be commited ideologically, but you are supporting all this economic liberalisation and everything. You have doing a double-talk—supporting it here and opposing it outside. That is a different story. Anyway, I am just concluding, Sir.

SHRI GURUDAS DAS GUPTA: But Mr. Agarwal, do you know what is going on in the private sector? We know what is going on. in the private sector. After ITC and Shaw Wallace, we know what is going on there.

SHRI SATISH AGARWAL: Well, I have never defended them. I say, carry on the raids. I am with the Finance Minister in carrying on raids on ITCs and Shaw Wallaces. Register cases against

persons like Mr. Gopalakrishnan. Don't succumb to pressures. Whether it is Mr. N.K.P. Salve or anybody else who is invited by FICCI, etc., let them say this is Raid Raj. How are they behaving? But 1 don't have the brief of any corporate sector. I am against corporate delinquency. And why I have joined issue with Mr. Gurudas Das Gupta is that I have always supported him on this issue, whether it is Reliance or Bombay Dyeing or anybody else. 1 am nobody's lawyer here. I may be a lawyer in the High Court. But 1 am not pleading anybody's case here.

So, what is to be done? My suggestion is that, firstly, you merge these 27 public sector banks into large, strong six or seven public sector banks. This is my suggestion. I feel if six, seven or even ten strong public sector banks are put into position, after merging all those banks which have failed to achieve capital adequacy norms or which are running into losses constantly, I think our public sector banks will become strong and the banking sector will be able to face the onslaught of foreign banks as well as . others also. This is one of my suggestions.

Secondly, public sector banks should be given more autonomy in the matter of appointment of very senior personnel. For example, it was brought to our notice that the State Bank of India is in a far better position to pay much more and attract talent than the Bank of Maharashtra. So, those banks who can afford to make better selection of talent available within the country—instead of that talent to' foreign banks—that talent should be attracted towards our public sector banks—should be allowed some autonomy to employ certain persons by themselves instead of going through recruitment process of Public Sector Banks' Recruitment Board, you must allow some sort of autonomy to banks so that they can have the best talent

...IA:I.LI.

Then, Sir, there are defaulters, write-off off of losses, reconciling of accounts—1 raised this issue during my Budget speech.

More than three and a half lakh crores of rupees arc involved in unreconciled branch accounts. This is a huge sum. These accounts have not been reconciled. For how long will this go on? This is a very serious problem. Accounts are not reconciled within the same bank; there is no inter-bank reconciliation also. That must be taken care of.

So, I hope that the report of JPC would be implemented *in toto.* The Finance Ministry should learn a lesson from the JPC report so that there is no recurrence of the same banking scam this time. It was securities scam earlier, it is going to be banking scam hereafter. There seems to be some collusion. Frauds are on the rise; non-performing assets are on the rise; corruption is on the rise. Sir, there are eight or ten strong public sector banks. The rest of them should be merged into these banks that will solve the whole proble. That is my own view. Sir, 1 abide by your directon. Thank you very much.

SHRl R. MARGABANDU: Sir, paragraph 7 of the statement says, •During 1995 and in 1996 (up to March), 2,344 frauds involving an amount of Rs. 139 crores..." This is not a correct statement. At the same time, paragraph 4 says, "During 1995-96, eight public sector banks namely Indian Bank, Vijaya Bank, etc.,... have incurred net losses amounting to Rs. 2,590 crores." This is the statement given by the" Minister. Sir, I can say that this is not a correct statement. Facts have been suppressed and the Government is not coming forward to furnish correct information to this House.

Sir, the *lndia Today* magazine dated 15.12.96 has written about the total amount involved in loans. It says that there were recoverable loans to the tune of Rs. 1,336 crores during the tenure of

Shri Gopalakrishnan, the then Chairman and Managing Director from 1988—1995. Sir, I would like to know whether the Minister is refuting this allegation. I Furthermore, Sir, there is an allegation . that some Ministers here in the Central

Government and Ministers in the State Government, have put my leader behind bars without making an inquiry, without getting any sanction. Prior sanction of the Governor should have been obtained before arresting and investigating against my leader.

SHRIMATI JAYANTHI NATARAJAN: Sir, she is not the Chief Minister. ...*(Interruptions)*...

SHRI R. MARGABANDU: Sir, I am quoting...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please come to the point. ... *(Interruptions)*...

SHRI T.G. VENKATRAMAN: Under what provisions of the law?

SHRl R. MARGABANDU: I am quoting this paper. I repeat...

THE VICE CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Margabandu, you come to banks. ...*(Interruptions)*...

SHRIMATI JAYANTHI NATARAJAN: Sir, she has lost the elections. She is not the Chief Minister. ... *(Interruptions)*...

THE VICE CHAIRMAN (SHRI G. SWAMINATHAN): Order, please. ...*(Interruptions)*... Please sit down. ...*(Interruptions)*... Order, please. ...*(Interruptions)*... We are discussing banks. ...*(Interruptions)*... Please come to Ihe subject.

SHRl R. MARGABANDU: Sir, I am putting questions . to Mr. Chidambaram.

(Interruptions)... 1 am quoting from this magazine and it says, "on 14th November, Prime Minister, Shri H.D. Deve Gowda personally conveyed to the CBI Director, Joginder Singh ...." ... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): With the permission of the Chairman, he can read. ...*(Interruptions)*... Mr. Margabandu, tell in • short whatever is written in the magazine. ...*(Interruptions)*... Please say it in your own words.

SHRI R. MARGABANDU: The Finance Minister seemed to have taken objection to the arresting of one Mr. Karunanandan without obtaining the prior sanction of the Government. ... *(Interruptions)*...

SOME HON. MEMBERS: How can he quote from a magazine? ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Members can quote from the magazines. ...*(Interruptions)*... Even Members are putting questions on the basis of the Press reports.

SHRI R. MARGABANDU: Sir, even for arresting an officer, the prior sanction of the Government should have been obtained from the Government. ... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Margabandu, the Finance Minister says that you frame your question and ask him whether he has intervened or prevented the arrest.

..*(Interruptions)*... But questions to him.

..*(Interruptions)*...

SHRI R. MARGABANDU: Sir, I would like to know from the Minister whether he took objection to the arresting of Mr. Karunanandan and for taking action against him without obtaining the sanction of the Government.

The second question that I want to put is with regard to the big scam of Rs. I,336 crores. Some say that it is about Rs 2.2.000 crores or so. The MDA Exports was given Rs. 350 crores; the East-West Airlines was given Rs. 300 crores, but not even a single pie could be recovered from them. ...*(Interruptions)*... Not a' single pie was recovered by the

bank from them. The loans were advanced to them without getting any proper security. And furthermore, Sir, loans were given to the relatives of some of the political bigwigs. These loans were not realisable. As matter fact and it it appear in the newspapers that * —though * is a Member of Rajya Sabha, but he is not here now— ...*(Interruptions)*...

SHRIMATI JAYANTHI NATARAJAN: Sir, he cannot say anything against a member of the House unless he is present. ...*(Interruptions)*...

SHRI SATISH AGARWAL: * himself has given a public statement in the Press that on his recommendation Rs. 10.000 crores were given by the banks.

SHRl R MARGABANDU: Yes, that the point.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): The point that I am trying to make is that the name of any Member can be uttered, otherwise we will not be able to do anything. But if you want to level any kind of allegation, then the Chair has to be informed and the Member concerned has to be informed so that he is present in the House. ... *(Interruptions)*... The procedure is that the Member concerned has to be informed so that he is present here to reply to the allegation. ...*(Interruptions)*... I would request that you should not mention the name of any Member here. You can say "a leader" or "political leader" or something like that. ..*(Interruptions)*...

SHRI R. MARGABANDU: Members from his party are here. They can answer. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): No, no, it becomes a personal allegation. ...*(Interruptions)*... Mr. Narayanasamy, he is raising an important question.

SHRl R. MARGABANDU: There are members present here from his party who can defend him. ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): But, normally the procedure is, if it is overall a political matter then they will defend but when it is a personal matter only the person concerned can defend ...*(Interruptions)*... Now. it becomes ...*(Interruptions)*...

SHRl R. MARGABANDU: Sir, 1 will not refer to the name...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRl G. SWAMINATHAN): If you are going to say something on the overall policy then they can defend. But, if it is something about the person, only that person can defend and nobody else can defend. That is the problem. So, you say generally without mentioning the name.

SHRI R. MARGABANDU: Sir, a statement was made by the leader, publicity, that he was responsible for getting extension. for Mr. Gopalakrishnan.

SHR'I S. PETER ALPHONSE (Tamil Nadu): Sir, I have a point of order... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): What is the point of order?... *(Interruptions)*... Please wait ...*(Interruptions)*... What is the Point of order.

SHRI S PETER ALPHONSE: Sir. my 11 and has made an allegation that* has admitted ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRl G. SWAMINATHAN): No, no. He has not mentioned the name.

SHRI S. R. BALASUBRA-MONIYAN: Sir, he has mentioned the name ...*(Interruptions)*...

SHRI T.G. VENKATRAMAN: Yes. He has mentioned the name. ... *(Interruptions)*...

THE MINISTER OF STATE ON THE MINISTRY OF DEFANCE (SHRI

*Expunged as ordered by the Chair.

N.V.N. SOMU): Sir, I object to that... *(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G SWAMINATHAN): One minute ... *(Interruptions)...* Order please ...*(Interruptions)...* What I would like to say is ...*(Interruptions)...* You cannot prevent him from saying "leader" or a "political person" ...*(Interruptions)...* He mentioned the name...*(Interruptions)...* I will expunge. We will expunge from the from the rccord the has uttered—the name of * The name of * will not figure on the record ...*(Interruptions)...*

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRl S.R. BALASUBRA-MONIYAN): Sir, that should be done (*Interruptions)...*

SHRI S. PETER ALPHNONSE: Sir, even words 'the former Chief Minister of Tamil Nadu' should be expunged from the record. Sir, he said, 'a pound of flesh, this and that'. How can he say like that ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): No ...*(Interruptions)...* The point is, ...*(Interruptions)...* I will tell you ...*(Interruptions)...*

SHRI T.G. VENKATRAMAN: Sir, that particular case against the former Chief Minister of Tamil Nadu is sub judice ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): It is a political matter ...*(Interruptions)...* Order, please ...*(Interruptions)...*

SHRI N.V.N. SOMU: Sir, the hon. Member knows fully well it was rejected and in spite of that, being a lawyer, he is raising the matter.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): That is not a relevant point ...*(Interruptions)...*

SHRI S.R. BALASUBRAMONIYAN: Sir, that should be expunged ...*(Interruptions)...*

SHRI V. NARAYANASAMY: Sir, one minute. With regard to the hon. Ministers who are here and who have been speaking on that, kindly go through the record and whatever is objectionable, you kindly remove that ... *(Interruptions)...*

SHRl S.R. BALASUBRAMONIYAN: No. The Chair has already given a ruling.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): No. Regarding the name of * ...*(Interruptions):..* There are two things involved in this ...*(Interruptions)... P*lease allow me to speak ...*(Interruptions)...* There are two things: one is. mentioning the name of a member of a House. That is not right. Then, mentioning about a Chief Minister of a State. If you cannot mention that, you cannot proceed with the House because Members always mention about the Chief Ministers...*(Interruptions)...*

SHRI GURUDAS DAS GUPTA: Sir, I have an appeal.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please allow me to speak.. .*(Interruptions)...*

SHRI GURUDAS DAS GUPTA: Sir, may I suggest ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Gurudas Das Gupata, please allow me to speak. I would suggest ...*(Interruptions)...* Please allow me to speak ...*(Interruptions)...* I would only say, I have to allow you to speak and you have to allow me to speak. Let the hon. Chairman go into the record. If he finds anything wrong or out of order then he can expunge it. Let the hon. Chairman decide.

SHRI NILOTPAL BASU (West Bengal): Sir, my point is, this is a national issue which is being debated '... *(Interruptions)...*

SHRI S. PETER ALPHONSE: When my friend was talking about ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Wait. Mr. Basu, please wail, the hon. Member is on his legs... *(Interruptions)...*

SHRI NILOTPAL BASU: Sir, I would like to draw your attention... *(Interruptions)...*

SHRI S. PETER ALPHONSE: He said, they were * ...*(Interruptions)...* I do not think that it makes a very decent expression ...*(Interruptions)...*

THE V1CE-CHAIRMAN (SHRI G. SWAMINATHAN): What is unparliamentary? ... (*Interruptions)...*

SHRI T.G. VENKATRAMAN: Sir, what is the context in which he is referring to it? ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I have already said that it is out of context ....*(Interruptions)...* Whether the words are unparliamentary or not would be decided by the Chairman. . .*(Interruptions)...* The Chairman would decide on that....(*Interruptions)...*

SHRI NILOTPAL BASU: Sir, we are on a different point. This is a national issue which is being discussed in a serious manner. This sort of inter-party differences...

SHRI R. MARGABANDU: There is no question of inter-party differences. I am stating a fact. ...*(Interruptions)...*

SHRI NILOTPAL BASU: It is not an issue concerning Tamil Nadu. It is a national issue. ...*(Interruptions)...*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I would request everybody to sit *down....(Interruptions)...* Order please. ...*(Interruptions)...* It is already 1.40 now. We have to give sufficient time to the hon. Finance Minister. I would, therefore, request hon. Members to conclude as early as possible.

SHRl R. MARGABANDU: Sir, the former Finance Minister, Mr. Manmohan Singh, and the Governor of the Reserve Bank of lndia. Dr. R. Rangarajan, had

"Expunged as ordered by the Chair.

' put in writing, uujecting to the gram ui ' extension to Mr. Gopalakrishnan. In' spite of that, extension was given to him. At whose instance the extension was given? Whoever is responsible for that he is an abettor in this serious crime.

The scond point is: one Thanjavur Bank which incurred a loss of Rs. SO crores was ordered to be merged with the Indian Bank. This was done at the instance of some political bigwigs and persons who had links with these political bigwigs because these people had obtained loans worth crores of rupees from that bank. This was merged and these loans were written off. The: question is: who gave the power to write off these loans? Can the Finance Minister place before the House the list of politicians who have obtained these loans; how much loan they have obtained; and, how much was written off? 1 make a specific request to the hon. Finance Minister to place before the House the list of politicians who obtained < loans and how much of it was written off. The loans taken by 75 per cent of the politicians were written off. I request the hon. Finance Minister to place this list on the Table of the House. I also demand a CBI enquiry into this matter so that the truth would come out, so that the whole nation would know as to who were at fault.

As a matter of fact, Sir, loans worth crores of rupees were given to cine-actors and other people. Trusts were given loans worth crores of rupees. Who are the persons who are holding these posts? If this kind of a situation is allowed to continue, where would we be taking the country to? Therefore, I demand that stern action should be taken in this matter. Action should be taken against whoever is responsible; whether he is an accused or he is an abettor; so that the system can be put back on the rails. All the persons who are responsible for these things have to be booked. They have to be charged. They have to be arrested. They have to be placed under suspension.

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They have to be dismissed; those who are in power.

SHRIMATI JAYANTHI NATARAIAN (Tamil Nadu): Thank you, MR. Vice-Chairman, Sir. I will be very brief, without repeating what has been said earlier.

As I begin, I would like to strongly endorse what the hon. colleagues before me have said; in regard to two issues.

One is: I would like to call upon the hon. Finance Minister to amend the provisions of the Banking Act which ensures confidentiality of the borrowers, and publish- the list of borrowers, especially, politicians, whose loans have been written off due to political pressure on the banks. I think this would go a very, very long way in clearing the cloud of suspicion, in clearing the shadow, that is lurking over the banking system in the country today, as a result of which the entire banking system is in a state of paralysis.

The Minister has also given in his statement the reasons for the losses that have come about in the banks. The loss is of the order of Rs. 371 crores.

I would like to add another aspect here. It is because of the fear psychosis, the suspicion that has been caused, the charges and countercharges that have been flung across in newspapers and in various fora in the country; at all levels, as high as even at the level of the Government.

It is as a result of this that the banking system is in a state of paralysis today, that the economy is suffering, that the industry is suffering, that India itself, at the international level, has lost credibility as a place where proper investment can take place.

Sir, the crisis in the banking industry, as I said, is unfortunately being politicised. The CBI is being used—and this is another aspect totally', different from what my friends who spoke before me have said—as a political weapon, as a 1 kind of political Damocles' sword to dangle over political opponents. I am not talking about what the CBI has conducted, in terms of inquiries, against delinquent bank officials. I do not support the delinquency of bank officials. I think, if anybody has done anything wrong, to use that immortal phrase, law should take its course—end justice should be done. But the use of all CBI inquiries for political reasons so that stories can be spread in newspapers about senior and respected political leaders in order to achieve narrow political gains, has created the vitiated atmosphere that is prevailing in the country today.

Sir, this crisis in the industry which has assumed the dimensions of a national crisis, I think, is probably directly attributable to the policies of liberalisation. Perhaps, in the long run this will turn out to be the best for the country and, as the Finance Minister himself has said in his statement, this is probably directly attributable to the requirements of prudential norms which the RBI has prescribed to bring Indian banks to international levels, through the policies of proper asset.classification and proper valuation of securities, as a.result of which banks which were conducting their own form of accounting have had to rewrite their securities, have had to classify their assets again and by this dynamism, what is a non-performing asset today was, probably, a good asset yesterday. And in this dynamic situation the banks have shown great losses.

Sir, there has to be a difference between the total losses and losses due to frauds. In a statement the Finance Minister has said in the Lok Sabha that there are 11,332 fraud cases in the public sector banks. Thereafter, with regard to foreign banks also the figures have been given: there are 168 cases which involve Its. 2.35 crores in 1995, compared to 137 frauds involving Rs. 2.18 crores in the previous year. Therefore, frauds exist in all the public sector banks. This is a fact of life that all of us have to live with and

appreciate. The frauds, as has been pointed out by the Indian Banking Association in a meeting with the Finance Minister, are usually brought to light by disgruntled employees, perhaps, not' for the best of reasons. Whatever may be the case, these frauds and these losses exist in all the public sector banks. With regard to the Indian Bank, for the year ending 1996 the loss was Rs. 1,336 crores. Having regard to this I would like to say that, perhaps the magnitude of loss in all the banks taken together is much larger than what we really think. As far as the Indian Bank is concerned, this loss, due to asset classification and valuation of securities, happened to be brought about in one single year, in that particular year for which this account was taken.

Sir, I believe and 1 understand that in all the public sector banks, if you take .heir profits and losses over a period of $ rears, many of these banks will show osses.of more than a thousand crores. The difference was that the managements of these banks adjusted these losses according to the prudential norms over a period of four or five years whereas the management of the Indian Bank was delinquent in this regard and did not do the proper asset classification or valuation of securities according to the time-schedule laid down by (he Reserve Bank of India. And this is the reason why, suddenly, this loss ofRs. 1,336 crores has been shown in one year. - My hon. colleagues, Mr. Gurudas Das Gupta and others, have spoken in great detail about the losses in the banks, about the reasons for the losses, and I have very little to add to what they said in that respect.

Sir, I want to point out that as far as the Indian Bank is concerned, again, I have gone through the details of the balance sheet, and, as far as I can understand, most of the losses arose out of the adjustment of its non-performing assets. These loans have been converted out of the way in the dynamic economic situation from good assets to non-performing assets, and only a much smaller percentage of these loans was actually written off because they were bad debts.

Sir, I want to say that banking, by its very nature, is a business in which risk is paramount. By its very nature, every loan that is given in banking has a risk potential which is inherent in it. Ultimately, this will amount to a judgement call with regard to every loan that is given. The literature on banking is replete with instances replete with examples, with theories about risk-analysis, risk investment, risk relating to companies and risk relating to factories, how these risks have to be managed and how these risks have to be converted to the good of the bank. Therefore, banking, in its very nature, involves taking of risks. A banker can do only two things with his money—either the money has to be lent, or the money has to be invested. If a fear-psychosis, as is presently existing, is created, the banker is not going to lend his money because every time the banker lends his money, the CBI arrives at his doorstep. This is the reason why advances have gone down. The Minister has himself said so.

Secondly, since this fear-psychosis has set in and these advances are going down, what the banker is actually doing is that he is investing his money mainly in Govemment securities. This is another reason why the total profits of the banks are going down because we all know the returns the Government securities give. As a result, the industry is facing liquidity crunch. The industry is not able to raise funds through equity because the stock market is at an all-time low today. It has completely crashed. The economy is, therefore, coming to a grinding halt, all as a result of this political pressure that has been applied to create a fear-psychosis in the functioning of the banks.

1 am with my colleagues when they say that the Government has not taken necessary action. Parliamentary

committee have been set up, and very very important recommendations have been made for banking reforms. None of these recommendations have been carried out. I am also one with my friends when they say that the regulatory authority, the Reserve bank of India, was a silent witness at times and sometimes a feeble objector to the delinquency of the Chairmen of major banks and to the delinquency of the Boards of those banks. It sat by and allowed the system to decline to this extent. I agree with my friend that bank reform should take place immediately. The recommendations of the Parliamentary Committees in this egard for proper reform should be ,mplemented in order to restore the banks to their rightfull position so that this fear-psychosis can be set aside and the banks can begin to function again in the business of lending and of conducting the economy along proper lines. ...*(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please conclude as Ciirly us possible.

SHRIMATI JAYANTHI NATARAJAN: 1 am concluding with only one more point. Just before me, my learned colleague, Mr. Margabandu, referred to stories in the Indian Bank. This is a very important issue. I saved it for mentioning it last. I just want to make this point and then conclude.

Much has been said about the activities, the delinquency, about the corporate raids and about the activities of the CBI. It is my belief that the CBI by itself is, perhaps, not very well equipped to go into the details of economic offences. 1 think that these matters should be left to an independent tribunal consisting of people who know the business so that they can properly assess the risks taken and see whether *bona fides or mala fides* existed. Since every loan has a risk potential written into it, it is easy at. a later time to point a finger at the person lending it and the officer who made the decision. The ACC share which was Rs. 12.00TJ/- a few years ago, is Rs. 1,000/- today. If a bank had invested in these shares some 12 years ago, then, the officer can be hauled up by the CBI and can be asked, "Why are those shares now worth Rs. 1000?". Therefore, this is a judgement call. As far as the judgement call is concerned, one can only go into it. It is knowledge of the business- and *bona fides.* One expects our officer, our politicians and everybody else to behave .with integrity. We cannot bring the whole system to a grinding halt because of this atmosphere of suspicion.

Before I conclude, 1 wish to make one more point. I have a serious charge to make not only against the Government, the present Government but also against various responsible leaders of political parties who are not here today. Therefore, I am not going to mention their names. Now, they have taken advantage of a crisis in the banking industry. I do not know the details. I am not an expert. I have no idea. Why did the Indian Bank incur a loss of Rs. 1,326 crores? I tried to understand it. What I understood was some loans were written off because NPAs which were existing in the previous years did not exist this year. This was just archaic. So, it is difficult for an ordinary person to understand it without an economic background. But today we suddenly have self-professed experts in the banking industry. The i newspapers are full with it. I have hundreds of press reports wherein charges are being Made—on what basis, I do not know. My charges against the Government are three-fold: One, I charge that this Government at the highest level is using this crisis in the banking industry in order to keep under control senior political leaders, parties who are in alliance with this Government.

THE VICE-CHAIRMAN (SHRI G. SWAMINTTHAN): Your party is also a apart of the Government.

SHRIMATI JAYANTHI NATARA-JAN:. It is a common Government. I think it is irrelevant. I think that this

pressure...*[interruptions)*... You are taking ing away my time by youfifeK. ...*(Interruptions)* ...

THE VICE-CHAIRMAN (SHRl G. SWAMINATHAN)': Yes, Yes. order, or-'der, order, order, order, order, order, order.

SHRI SATISH AGARWAL: She is making a valid point.

SHRI R.K. KUMAR: She is making a valid point. Let her go ahead.

SHRIMATI JAYANTHI NATARA-JAN: Sir, I think that this Government at the highest level is trying to keep its political alliances under control by using this as a sword of Damocles.

AN. HON MEMBER: Are you referring to the Finance Minister?

SHRIMATI JAYANTHI NATARA-IAN: I want to make it clear that I am not referring to the Finance Minister. I am referring to the Prime Minister. I have no hesitation in saying so. Sir, I believe that this is what is happening. Sir, stories are being planted in the press, inspired leaks are occurring.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I would like to mention to the hon. Member that it is a joint responsibility of the Cabinet. Some Members of your party are also in the Cabinet. I do not think that it would be fair on your part to charge the Prime Minister

SHRIMATI JAYANTHI NATARA-JAN: 1 did not hear what you are saying.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): The Government has got u joint responsiblity. When your party is in Government, whether it would be fair on your part to charge the Prime Minister 1 think it is not fair to charge the Prime Minister,

SHRl P. CHIDAMBARAM: Kindly permit me. Sir. As the hon. Member has made a very strong statement, I would ■request her to reconsider that statement and withdraw the charge tnat is being made against the Prime Minister.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I think that would ' be fair.

SHRIMATI JAYANTHI NATARA-JAN: Sir, 1 have made a submission based on what I believe... *(Interruptions)*... It is for the Finance Minister to refute it. I have not said anything unparliamentary. I have only stated what I believe... *(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Under the parliamentary system of Westminster, when a member of a political party joins the Cabinet and the Cabinet conducts itself in a joint responsibility, it would not be fair lor the other member of that political party to charge either her colleague or the Prime Minister.

SHRl GURUDAS DAS GUPTA: I also support you.

SHRl V. NARAYANASAMY: Several times in the past Mr. Gurudas Das | Gupta whose party is also a part of the i Government has levelled allegations | against Ministers. Some members of his political party are in the Cabinet.

SHRl NILOTPAL BASU: He or she may have political differences. But to level serious allegations against the Prime Minister on the floor of the House with-out giving a proper notice is not correct..

SHRI GURUDAS DAS GUPTA: If the hon. Member has made a serious allegation, let her substantiate it. Whenever 1 said anything in the House, I did so with substance. To speak like this, planting stories like this, is not correct. I would request the hon. Member to kindly reconsider her charge. ^..*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please take your scats. On a policy matter she may have differences. That is a different matter. But to accuse the Prime Minister that he is trying to protect some members of the political parties in his Govenment is

something of a grave accusation. think the hon. Minister has set it right.

SHRIMATI JAYANTHI NATARAJAN: He has set it right. Very good.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): You better withdraw that statement.

SHRIMATI JAYANTHI NATARAJAN: Why should I withdraw it? The Minister can deny it.

SHRI SATISH AGARWAL: The Finance Minister can deny it.

SHRIMATI JAYANTHI NATARAJAN: Let him deny it. *(Interruptions).*

SHRI R.K. KUMAR: Both of them belong to the same party. *(Interruptions).*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): May be. *(Interrup-*

SHRI GURUDAS DAS GUPTA:' When Mr. Margabandu was making a statement, you all said that the dignity of the discussion should be maintained. In the same way, I request my hon. friend, my respected friend, Shrimati Jayanthi Natarajan not to allow the discussion to get degenerated. *(Interruptions).* If she has.... *(Interruptions).*

SHRI S. PETER ALPHONSE: This is the papers....*(Interruptions).*

SHRI GURUDAS DAS GUPTA: If Mrs. Natarajan has any specific charge, let it come before the House in a motion. We shali consider that. This is not the way. *(Interruptions).*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Yes, Mr. Peter Alphonse.

SHRI S PETER ALPHONSE: To substantiate what Mrs. Natarajan has said... *(Interruptions).*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I am not going intc that matter. That is what Mr. Gurudas Das Gupta has said. What I have said is this.

The Ministry works on a joint responsibility. She belongs to a party which is an alliance partner in the Ministry. And the Minister is also sitting here. When she accuses the Prime Minister. . . *(Interruptions)* .

SHRIMATI JAYANTHI NATARAJAN: Sir, I do not understand, let me speak for myself.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : You are a member of a particular party. And your own Minister *says...(Interruption).*

SHRIMATI JAYANTHI NATARAJAN: Please let me speak.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): That is the convention of Parliament. *(Interruptions).* No No. What I am saying is, it is a conven tion of Parliament *(Interruptions).*

SHRl JOHN F. FERNANDES (Goa). Mr Gurudas Das Gupta is opposing the Minimum Programme. *(Interruptions).*

SHRI GURUDAS DAS GUPTA: To oppose a programme is one thing. *(Interruptions).*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I am not preventing the Member. It is not my work. I cannot prevent a Member. I am only saying that it is a convention. But if the Member says that she wants to say that, she has got every liberty. I am not preventing her. I cannot prevent -her from doing it. *(Interruptions).* You cannot prevent a Member. *(Interruptions).*

SHRl SATISH AGARWAL: Day in and day out, Mr. Das Gupta opposes.

श्री मूलचन्द मीणा (राजस्थान) आरोप की जांच हो जाएगी... (व्यवधान) गुरुदास दासगुप्त जी ने तो कई बार आरोप लगाए हैं... (व्यवधान) इनकी तो आरोप लगाने की आदत है।... (व्यवधान)

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): I am only giving a piece of advice about the normal convention. But it is for the Member to say that or not to say that. I cannot prevent her from saying that. *(Interruptions)* $he may belong to a party. She has a. right to say

that. I am. only saying, under the convention, it is not fair. If she says that still she wants to say that, nobody can prevent her from saying that because it is not unparliamentary. *(Interruptions),* it is not unparliamentary. She can say that. What is unparliamentary in it? *(Interruptions).*

SHRl SATISH AGARWAL: Every Member of the house can speak frankly and freely...*(Interruptions).* She cannot be sub&erakc this.

SHRI NILOTPAL BASU: She is making allegation... *(Interruptions).*

THE VICE CHAIRMAN (SHRI G. SWAMINATHAN): The Minister is here. He can reply to the allegation. *(Interruptions).* She has every right to allege. I won't prevent her from doing that. I only advised her not to do it. If she insists that she wants to do it...*(Interruptions).* Please sit down. She has every right to say that 1 cannot prevent her from speaking.

SHRIMATI JAYANTHI NATARA' JAN: Sir, I am concluding.

The CBI, unfortunately, is giving inspired, leaks to newspaper. The present Chairman of the Indian Bank also is planting stories. These are my charges. I make them with a sense of responsibility. It is for the Minister to deny them. The present Chairman of the Indian Bank also is releasing, under instructions, to the Press, inspired stories containing details of borrowing and lending in selective cases only. All this is a motivated campaign against certain political leaders and I condemn it. As a result of these inspired stories, stories like the one which Mr. Margabandu referred to from the 'lndia Today' appear in the Press about respected colleagues in our House like Mr. Moopanar. These stories are totally untrue. The stories which he is referring to, talking about the Bank of Thanjavur, about the merger, are totally untrue. He said that advances to the Bank of Thanjavur were written off because of the merger. To my knowledge, the allegation i that loans were given to the relatives ^f. political big-wigs, is totally false. This is nothing. The only reason why this is being done is to tarnish the image of members of this House and senior leaders of political parties, and for no other reason. It betrays no concern with the banking industry at all. Therefore, I believe, by using this banking crisis as an excuse, from the highest level to the lowest level, and in various fora, an attempt is being made to tarnish the image of political leaders, and this, Sir, is something, which has to be condemned, with all the emphasis at our command. Therefore,! would like the hon. Finance Minister to explain whether the allegations made by me, particularly against the present Chairman of the Indian Bank, are true. If they are true, what steps will be taken by him to prevent such an occurrence in the future?

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : I would like to inform the hon. Finance Minister that there are four speakers who have yet to speak. After they complete their speeches, I do not know whether you will have time to reply or not. Will you give your reply later on?

SHRI P. CHIDAMBARAM: Sir, that House apparently has adjourned for lunch and it is resuming at 2.45 P.M. If. all hon. Members conclude within twenty, Twenty-five minutes, then I can reply. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : I would very much like to give you fifteen, twenty minutes to reply to the debate. So, I request all the Members to conclude within twenty minutes. *(Interruptions)*

SHRI ASHOK. MITRA: Will that be fair to the Members who have not yet spoken?

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : Otherwise, he has to reply at some other time.

SHRI ASHOK MITRA: We would like to have our say. *(Interruptions)*

SHRl P. CHIDAMBARAM: No, no. That won't be correct because on a Calling Attention of such a sensitive matter, we cannot have questions being published one day and answers being published two days later. 1 think it is only fair that all questions that have been raised today, arc answered today, because this concerns financial institutions. *(Interruptions)*

SHRI GURUDAS DAS GUPTA: Sir, ii is not a question of fairplay. The Rule Book says that the reply to the Calling Attention must be on the same day. *(Interruptions)*

SHRl P CHIDAMBARAM: Moreover, this relates to the financial institutions. *(Intenuptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : I said, sometimes, afterwards. That depends upon the Minister. ...*(Interruptions)*... it would be better if he completes his reply today and goes back. I seek the cooperation of the hon. Members. Can I call the Minister after 2.20 PM? I know, hon. Members, like Ashok Mitra, are here, who may like to speak for a long time. But then there is a time constraint. What should we do?

SHRI R.K. KUMAR (Tamil Nadu): If all the other Members take 20 minutes, nobody will be able to speak. So, you may specify the time, individually.

THE VICE-CHAIRMAN (SHRI G SWAMINATHAN) : Each Membei should speak for five minutes and not more than that. *(Interruptions)*

SHRI ASHOK MITRA: This is a verv serious issue. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : Mr. Mitra, you can lake ten minutes.

SHRl ASHOK MITRA: Are you buying peace. Sir? Is it my time to speak? *(Interruptions)*

SHRI S. PETER ALPHONSE: Sir, I may be permitted to speak. I have given notice. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : Your name is not here. You might have given notice. But ihe Deputy Chairman has accepted the name of Shrimati Jayanthi Natarajan. There were four names from the AIADMK party. But only one Member was allowed to speak. *(Interruptions)* There is a time constraint.

SHRI S. PETER ALPHONSE: Sir, I would like to refer to some of the points about which my hon. friends have spoken. I would like to refer to some specific issues. Kindly permit me to apeak for two minutes. *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : Your name is not in the list.

SHRI S PETER APHONSE: Sir, I have given notice. My name has been listed in the list of Members who have given notice. *(Interruptions)* Other Members from the AIADMK party were not present. But I am present here.. . . *(Interruptions)* No, no. He has not given notice.

SHRl R K. KUMAR: You speak for vuursell. Don't speak for others. How do you know about others? *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : I will try to help you. Now, Mr. Fernandes.

SHRI JOHN. F. FERNANDES: Sir, in the recent past, our country has seen a hung Parliament and hung assemblies. We have Governments and Governments but there is no governance in this country. That is why the Judiciary has an upper hand. We have laws but there is no justice. Every human failure, which is in terms of a fraud, is taken as a system failure. This morning, the hon. Finance Minister told us not to attack the Government, but to attack the system; not to attack the individual, but to attack the system. Now we don't know what the meaning of this word 'system' is. It is a system of our own making. It is a system of the making of the people in power. As .

my colleague, Jayanthiji mentioned, in the Press there are a lot of reports on the public sector banks; the public sector banks are involved in mud-slinging, not on the private banks, but they are against themselves. Sir, we have 16 to 20 scheduled banks and eight of them are making losses; and all these banks are owned by the Government! These a*re subsidiaries of the Central Government. The most tragic point here is that one bank has started a campaign against other banks and, in turn, it even advises the customers to withdraw funds from those bunks. And not only that; 1 came across an instance where a certain bank—I don't want to name the bank—listed another nationalised bank a loss-making bank on their list. So, I feel that it is a campaign involving not the private banks, but the Government banks themselves. Sir, the Finance Minister is missing?

Sir, the second point I would like to make is, all the banks in the country have the money of the people in general, the .public money, and this public money is used by ...*(Interruptions)*...

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : It appears that you have asked where the Finance Minister is. He has gone out; he will come back very shortly. Another hon. Minister is listening to you here.

SHRl JOHN F. FERNANDES: Sir, I was referring the matter to him.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN) : He will come back very shortly. He has appreciation for you.

SHRl JOHN F. FERNANDES: Most of the contributions in these banks belong to the poor people, and the money is taken out by the corporate, by the Government, and the poor people, in turn, are cheated. We have seen that in the past, for the last five years, there has been no system; the banking system Has broken down in the country. Sir, when Dr. Manmohan Singh was Finance Minister, he visited Singapore. I asked him a question, as to how those banks, private banks, were doing excellent work, and he gave a reply to my question, that we were going to revamp our banking system. And revamping our banking system is to pinpoint the responsibility. At the moment, Sir, the main problem ailing the banking system in our country is that everybody is responsible and no body is responsible, because we do not delegate any power, in a bank, to an individual; instead, we delegate power, in the bank, to all the officials who are responsible. And nobody is responsible for any fraud? Sir, if we go to some foreign countries and try to study their banking system, we are told that in every branch of a bank there is an auditor, there is a monitor, and no funds can be given without his signatures. If a fraud takes place in the bank, than that gentleman is held responsible. Unless we introduce that system in our banking system, 1 think it will be free for all, and these frauds will continue. The hon. Minister made a statement, and in his statement he has mentioned that in 1994, the Reserve Bank introduced a certain system of checks and balances, but we have also come to know—the Minister has also mentioned this—that in 1995-96, up to March, 2,344 frauds were detected. And the Board of Financial Supervision with its Advisory Council was constituted in 1994! Therefore, whatever system we introduced in our country, that is a bureaucratic system.

Finally, these banks are also inspected by human beings. We have these auditors coming from the Reserve Bank of India. Sir, in my state, Goa, we have a lot of private banks, cooperative banks, and most of these banks are involved in frauds, though we are discussing about the scheduled banks. Whenever these officers come from Bombay they wine and dine in five-star Hotels and there is nothing coming out! Unless we have a certain system, built-in-system, to see that these frauds are detected, things won't improve. There is a reference to Punjab National Bank. Again, it is men-

uoncd here tnat the scam involving about Rs. 33 crores took place in that bank in 1991-92, but it was detected by the Reserve Bank only in 1995. So, I think this

He also wanted to know against how many Chairmen action has been taken who are facing corruption charges. What is the- fate of those cases? How many cases are pending? Sir, charges should not be made against the Indian Bank only. There are many banks which are running into losses for so many years. I don't know why the hon. Members from Tamil Nadu who have spoken before me, were very particular about the Chairman of the Indian Bank: It does not mean that I am supporting the Chairman of the Indian Bank. Those who have violated rules and who have failed to recover loans, should be held responsible. There is not second opinion' about it. Shri Mar-gabandhu was saying that a Chairman of the Indian Bank has released crores of rupees for politicians and many others. It is not a crime if a politician approaches a bank to secure loan for running an industry or business. It is quite natural. As Shri Narayanasamy said, some poor people, who want to start some business, approach-politicians so that their case is recommended for getting a loan. But if a politician insists a debtor not to repay the loan, it is wrong.

Bank is an institution which generates funds by way of giving loans and getting interest. It is not a crime if a politician recommends a case for the purpose of getting loan to help the needy people. He further stated that some politicians were involved in recommending certain cases. But he has not specifically mentioned their names...

SHRI R. MARGABANDU: Sir, the Sun TV has secured a loan of ...*(Interruptions).*

SHRI V.P. DURAISAMY: Sir, I would request the hon. Member to ...*(Interruptions).* Whatever statement he makes, he should substantiate that.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Duraisamy, you arc unnecessarily going into the names. *(Interruptions).* Mr. Margabandu, please sil down. *(Interruptions).*

SHRI V.P. DURAISAMY: Sir, why is he dragging the name of the Chief Minister? How is he connected with it? *(Interruptions)*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): The matter has already been settled. You are- speaking very well on' generality. Please continue.

SHRI V.P. DURAISAMY: Sir, I understand that no action has been taken against an official of the Punjab National Bank. What about the State Bank of India? What about the Harshad Mehta case?. Where is it standing? What about the Chairman of the Vijaya Bank? Mr.

Margabandu, what about the Chairman of the UCO Bank? What action has been taken against him? They are silent about it. They are taking this opportunity to talk about the Indian Bank alone.

SHRI R. MARGABANDU: Sir, is he a lawyer of the Indian Bank? Is he supporting the Indian Bank?

SHRI V.P. DURAISAMY: I am not a lawyer. Sir, why are they very particular about the Indian Bank alone? That is my question. They should speak about all banks.

SHRI R. MARGABANDU: It has been stated that the Indian Bank is one of the defaulters. *(Interruptions).*

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): The hon. Member has the right to talk about any bank which he likes, whether all banks or one bank.

SHRI V. NARAYANASAMY: The loss of that bank is more than Rs. 300 crores. The hon. Member should understand it.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): The time given to you is only five minutes. If you enter into

arguments, other Members will take away your time.

SHRI V.P. DURA1SAMY: I would like to say that all those have violated rules should not be left scot-free whatever be their designation or whatever be the political pressure. Unnecessarily, political leaders should not be dragged into the picture. Thank you.

SHRI ASHOK MITRA (West Bengal): Sir, there is not use running away from the problem. The problem involves this nation's politics. We nationalised banks because the initial assumption was that we will be able to reach credit to the people. But we forgot the class character of the Government. The class character has not changed over the last 25-30 years. The same narrow group of people, coming from a thin stratum rue, and rule over banks. 1 give a very simple example. The Governor of the Reserve Bank of India, none less calls up the Assistant General Manager of the State Bank of India and asks him "Why have you frozen the accounts of Mr. Harshad Mehta? Open the account. Do you think the Governor of the Reserve Bank of lndia would have done this unless he was under tremendous political pressure? This pressure got started, if my friends over there do not take umbrage, during the days of emergency. Now this has bludgeoned into a major malady which is leading to the collapse of the entire banking system. It is a collapse. What else is it? Out of Rs. 200,000 crores of bank advance, roughly, Rs. 50,000 crores are irretrievably lost. Another Rs. 30,000 or Rs. 40,000 crores are termed sticky accounts or bad debts. What is the Fi-. nance Minister proposing to do? There are some simple devices he could adopt. But he won't do it. I can tell this on his face. He won't do it because his class friends are involved. Now Rs. 50,000 crores is the total amount that defaulters have cheated the bank of. I ask him. I have asked him already and I continue to ask him Why can't you send directives to the bank that defaulters and their companies will not be given loans? why cant you send directives to the bank that defaulters and their companies will not be given loans?. Why can't you send a circular that these defaulters will not be given loans by other banks as well? Why can't you send circulars that these defaulters who happen to be functionaries or executives or directors of other corporate bodies, even these corporate bodies will be be denied further loans? Why can't you ensure that companies with which these defaulters are associated, are de-listed from stock exchanges. Hurt them. But you do not want to hurt them. Why don't you expose them? Get rid of the secrecy clause. Even Pakistan where, the level of integrity is much worse, has got rid of this secrecy clause and has exposed the people who have cheated the public by taking money from the public coffers. Why can't we do so? We won't do so because the ladies and gentlemen who have cheated banks are Mr. Chidambaram's class friends. What can I do? Nothing can be done and nothing will be done. What can I do? Nothing can be done, nothing will be done. Now again ;I have been going through the listing of the kind of thing that has happened in the Indian Bank. They have advanced money to the extent of even Rs. 500 crores without any collateral security, 500 crores, 100 crores, 200 crores, 300 crores, in one transaction. There is no rule of law, no accountability, it is free for all, any why? Because there are strong political personalities backing these parties. I would say that I would not enter into controversies but I have a suspicion that the political establishments of different shades in Tamil Nadu have been fairly, cvently treated. So there should be no grudge on the functioning of the banks. But that is not the issue. This is what they do. You know the banking system is a morass. If you get by that notion that there is no penalty involved in cheating, then you will continue to cheat. If mere is no penalty involved for not returning the money that belongs to the bank, you will not return the money that belongs to

the .bank, you will not return the money to the bank. As long-as politicians continue to use banks as a handle for their manoeuvres, then what can the poor Chairman or the Managing Director do? In individual cases he may not be quite all right, he just avails of the fact that the politicians want to avail of his suggestions. But, in this House for example, my friend Shri Dipankar Mukherjee has times witho'ut number raised the issue of Allahabad Bank and M.S. Shoes. The Allahabad Bank's Chairman and Managing Director has openly flouted the rules ;ind given loans and no punishment has been meted out to him. Just as the Government did not choose to prosecute the Governor of the Reserve Bank whereas the Deputy Governors have been found guilty for financial impropriety which Mr. Agarwal and his friends have investigated during the scam days. So ultimately there are other issues, for example, a crime is committed by the politicians at the top and their associates but who has to bear the burden? It is the poor employees. It is fantastic, I am told that in one or two banks like United ' Commercial Bank and elsewhere a circular has been issued. Because the financial condition of the bank is so bad, there will be no increase in wages for the next two or three years. You steal the money, you cheat the people and then the burden will have to be borne by the working classes. The working classes will not go along with such a regime. Why should they? Now there are other things. Again and again when you ask Mr. Chidambaram, "What have you done with this Rs. 50,000 crores?", he would refer, for example, and say that the loan recovery in the rural sector is very poor. Now, I wish there was a comparative statement made about what is the state of default in the countryside and what is the state of default in the urban areas. I do not know whether he knows; a group of employees of the Regional Rural Bank shave at the moment gone on a hunger strike. What is their problem? They had asked for a certain type of wage structure. They went to 'the tribunal, legally electadT triDurraTT sponsored by the Ministry of Finance. . The tribunal had given an award but the Ministry of Finance was not willing to go by the award of the tribunal which the Ministry itself appointed. What is to be done? Is there any rule of law in the country? So I would say, forget about every other thing. It is a question of Ministry ot Finance and the Minister himself would have to say, "All right, yes, in a way Mrs. Natarajan was right." What is happening in the banking sector is bound to happen. It is bound to happen because banks deal with money; banks create money.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Mr. Ashok Mitra, please conclude. You have already taken 10 minutes.

SHRI ASHOK MITRA: Sir, I will conclude in a minute. You are in the Government. You are in politics because you want to wield power, you want to wield money power. You have to restrain yourself. If you have to survive, of demo cracy has to survive, if people's faith in democracy has to survive, obviously we have to sit together and draft some rules. Let us not use banks for our narrow, sectarian political purposes. Banks are intended to expand the rate of economic growth of our country. Let us not also use banks as an alibi for every failure on our part. Let us not misuse the rank and file of the banking sector in a gross manner.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Hon. Members, there are two more names with me. One is Mr. R.K. Kumar and another is Mr. Peter Alphonse. Mr. Peter Alphonse wants to speak for two minutes. Can we entertain them?

SHRIMATI JAYANTHI NATARAJAN: Sir, there are only two names left. They can speak for a few minutes. Please allow them to speak.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Now, Shri R.K.

Kumar. Mr. Kumar, please conclude within two minutes.

SHRI R.K. KUMAR: Mr. Vice-Chairman,' Sir, what is supposed to be an interesting discussion on the ills of the banking sector is unfortunately getting degenerated into settling political scores and making political points.

Banks, all over the world, have been and are commercial organisations and the bottomline of these commercial organisations has to be profitable. In India, with the nationalisation of banks in 1969, these commercial organisations have had to bear the burden of social banking also. On top of it, the requirements of statutory liquidity ratio and the cash reserve ratio have left with the banks a minimum amount of money out of the deposits, the capital having been locked up in fixed assets, computers, etc. Till recently, out of one lakh of deposit which a. bank might have, 50% was kept out for the purposes of SLR and CRR, leaving the bank with 50% of the deposit for its lending programme and for making 50% of the deposit for its lending programme and for making profits. Even out of this 50%, 40 per cent, because of the Govern-meni regulation and the RBI directives, has to be lent for priority sector, like IRDP, small scale sector, self-employment scheme, etc., at a concessional rate jf interest. Now, out of the available Rs. 50,000/-, Rs. 20,000/- has gone for priority sector lending. The net available amount with that bank for its lending and making a profit on such lending, after all this, is Rs. 30,000/- only. It is because of this that there has been a tremendous pressure on the banks. There has been a tremendous pressure on banks because they have to do business, make profit and pay interest to the depositor on the total deposit, after meeting the SLR, CRR requirements and the priority sector lending. Banks have to pay interest on the one lakh deposit even though the amount available with them is a mere Rs. 30,000/. And they are asked to deploy fhis Rs. 30,000/- and make profits on it. Here I am not trying to justify the happening in the banking sector. A lot. of wrong doings have happened and are happening in the banking sector. It is merely because of the unsustainable SLR, CRR requirements and the priority sector lending, profitability is under pressure. Another important dimension is that at the time of nationalisation, the number of branches in the country was about 8,000. Now, the total number of branches have gone beyond 100 thousand. This kind of a growth is not supported by manpower development and training. Second important aspect is the banking culture itself. Banks consider credit as a favour, not as business. When you think that credit is a favour, the borrower would think of repayment as a bigger favour. Banks take a lot of time to sanction a loan and to release that loan amount. In the meantime, the project cost goes up and the borrower is unable to repay it.

Ineffective and inadequate audit and control procedure is another important aspect of the banking sector. There are three kinds of audit. One is the internal inspection by the banks themselves, at the level of a General Manager. Then there is RBI's annual financial review. The third is the statutory audit by auditors.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please conclude.

SHRI R.K. KUMAR: I will take only one minute, Sir, The statutory auditors do only the *post-mortem.* All that they can do is only write qualifications in the auditor's report. The tone, tenor and language of these qualifications are not understood even by professionals, leave alone the common man and the depositor. The RBI's annual financial review many -times is not even placed before the Board of Directors and nobody knows what happens to it. As regards internal inspections, these are done by lower level functionaries who cannot question anything. All the inspections and audits are more on book-keeping and housekeeping aspects of banking,

not on* credit management ana acwance portfolio. So, nobody questions as to how this credit is * sanctioned and how the loans are sanctioned in violation of delegated powers, etc. So, before I conclude, I suggest that there should be a strict follow-up of delegation of powers. This works both ways. Some people don't exercise the powers delegated to them and decide advance requests, but some people overshoot and circumvent these powers.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please conclude.

SHRI R.K.' KUMAR: Sir, one area is of working capital. Most of the inspections of stocks are not done properly by banks and ultimately we lose money.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Please conclude now.

SHRI R.K. KUMAR: Sir, I have prepared the whole thing. In fact, I have been the Director of one of the banks and I have also been the statutory auditor of the State Bank of India and today...

THE VICE-CHAIRMAN: (SHRI G. SWAMINATHAN): The time of your party has already been...

SHRI R.K. KUMAR: Anyhow, Sir, I have already suggested whatever I wanted to. Sir, there is political interference also in appointments. I would request the hon. Minister to kindly take note of this. RBI's recommendations on appointments should be mandatory and binding. Sir, in Customs Department, they maintain an incidents register. If

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omebody, some politician or some Minister telephones and asks for something to be cleared, they note it down in that register. So, similarly if any official from the Ministry or the Department of Banking or the Reserve Bank of India recommends a loan, there should be an incidents register recording as to who has recommended or who has pressurised. With these words, I conclude, Sir.

THE VICE-CHAIRMAN (SHRI G. SWAMINATHAN): Thank you. Shri S. Peter Alphohse. Please eonclude in two minutes.

SHRI S. PETER ALPHONSE: Sir, we are talking of losses worth thousands .and crores of rupees. Today the discussion is concentrated mainly on the Indian Bank. I will not go into the details because much has already been said by my learned friends.

1 want to make clear only one point. If the present state of affairs is allowed to continue, the loss is hot going to confine only to one thousand or two thousand crores of rupees, the situation is so alarming that the banking sector will come to a standstill. Money is accepted as. deposit only to be lent and if that lending is not done, credit is not given, the banks will incur huge losses. This is not my point of view only. The other day all the chief executives of nationalised banks met the Finance Minister and told him that the fear of the CBI and the other investigating agencies is haunting the commercial banks and they have become extremely cautious in their lending programmes. The banks wanted some sort of insulation from the court against , the CBI and other agencies which, they felt, often based their investigations on unfounded and unsourced information. And the Minister has promised a vet-panel and all other things.

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Sir, Mr. Agarwal was speaking and he was requesting for an inquiry into the affairs of the Indian Bank. My friend, Mr. Narayanasamy was informing us that the Indian Bank alone has incurred a loss of more than Rs. 1,500 crores. But I would like to inform the House that it is not the Indian Bank alone which has incurred losses, there are other banks also which have incurred losses worth crores of rupees. The Bank of India has incurred a loss of more than one thousand crores of rupees. The Indian Overseas Bank has incurred a loss of more than one thousand crores of rupees.

The Vijaya Bank has incurred a loss of more than Rs. 600 crores. What has been done to the Chairmen of those banks? If the same yardstick that has been applied to Mr. Gopalakrishnan, is applied to all these people, I think most of the Chairmen of nationalised banks will be behind the bars. That is the point I want to make. Sir, the CBI is not the proper agency to supervise and investigate into bank scams. I can quote here but because of shortage of time, I am not being able to point out what exactly has happened. Recently there was an article in the *India Today* about banks and maybe it can enlighten the Members of this House. The CBI is deliberately leaking out information and sometimes feeding misleading information to the media that so-and-so is involved; that Member of Parliament is involved; that political leader is involved. Who is the CBI after and who do they want to pinprick? We want you to clarify on this. That article is not in ambiguous terms. It is in very categorical terms. ....According to the CBI; the sources have informed; the CBI is going into the facts...." Who has informed the CBI, who is the man behind it and what is the motive behind it? Is there any political motive in it? If there is any political motive, I warn the Government that will sound the death-knell for it. That cannot be allowed. With these words, I conlude, Sir.

SHRl P. CHIDAMBARAM: Mr. Vice-Chairman, Sir, I am grateful to the hon. Members for raising a discussion through a Calling Attention Notice on the losses incurred by banks due to irregularities and steps taken by the Government .in this regard. Sir, necessarily, I have to be brief. Therefore, I shall not repeat myself in any issue, but I will try my best to answer the main • questions put by the hon. Members.

Sir. I believe that banking is a business. In any business there is a commercial risk. In banking, because of the nature of the business, risks are inherent and perhaps higher. But banks exist in order to collect deposits and to lend money. If a bank does not lend money, it is not a bank; it is just a collection centre. Lending is a *raison d' etre* of a bank, and in lending, like any other business, a certain proportion will go soft. Mr. Agarwal paid a back-hand compliment to me by saying that founders of certain banks are my ancestors. I thought all are ancestors, whether the *Neanderthal* man or the *Hbmo sapiens* or *Homo erectus.* I don't claim any kinship to anyone. In any business, and anyone who is associated with business will know that a certain proportion will go soft. It is, therefore, very important to keep a distinction between commercial misjudgment, commercial loss and culpable negligence or crime. Unfortunately, because of the climate that has been created, the distinction between commercial misjudgment and crime has been obliterated. In my meeting with bank Chairman I told them and I repeat it on the' floor of this House, I will protect bankers who may err as long as it is commercial misjudgment, but if anyone is guilty of culpable negligence or crime, he has to pay for that crime.

Shri Ashok Mitra found a new use for Marx and Marxism by creating a class distinction between me and himself. I don't know to what class he belongs. All these'are attractive arguments, but they are not very useful in running the Finance Ministry or supervising the banking industry. Today, it is true, as many hon. Members have said, the ciimate is not conducive for healthy banking or for healthy banking practices of lending or even for recovery of loans through a variety of methods. We-have created a cloud of suspicion over the banking industry. 1 deeply regret that this cloud of suspicion has come over the banking industry. It will be my endeavour to dispel this cloud to encourage bankers to lend so that credit flows to industry, to agriculture, to the service sector, to students and to the self-employed. I will.

encourage bankers to recover as much loan as possible. But I will not defend anyone who is guilty of culpable negligence or crime. That is the policy of this Government. As far as I am concerned, there is no backtracking on that policy.

A mention has been made of the losses suffered by the banks. That is the substance of the Calling Attention. One hon. Member asked me what this new concept of an operating profit is. It is not new. I did not invent it. Operating profit is a measure by which banks are measured. Banks have two kinds of incomes—interest income and non-miercsi income which might come out of assets. Banks have two kinds of expenditure—interest expenditure and oiher expenditure, including^

establishment, wages, travel, etc. The bulk of the banks' income comes out of interest which they earn by lending. The bulk of the banks' expenditure is also interest which they pay on deposits. Therefore, the concept of an operating profit has been there for many, many years. Operating profit is interest income and non-interest income minus interest expenditure and non-interest expenditure. By that measure, Sir, as I said, the operating profit of all the public sector banks in 1995-96 was Rs. 7,559 crores. It was only Rs. 3,069 crores in 1992-93. It has doubled in a matter of three years and that I think is a tribute to the good consequences of reforms introduced by the previous Government after the Narashimam Committee Report and after accepting the Basle norms for banks. So, why should hon. Members who were part DI the Government or Members of the party belonging to the previous Government flay their own Government? What has happened is a good thing. From Rs. 3,069 crores of operating profit in 1992-93, the operating profit last year rose to Rs. 7,569 crores. Yet banks make losses now. What is this loss? I have taken some time to understand it. I wanted to spend two or three minutes to understand what this loss is. Sir, the Bank of India made a loss in 1993-94 and it was shown as Rs. 1,089 crores/The outburst that I find today when the Indian Bank reports Rs. 1,336 was not there when the Bank of India reported Rs. 1,089. Why? The Central Bank reported Rs. 712 crores as net loss in 1993-94, UCO Bank reported Rs. 546 crores, United Bank reported Rs. 618 crores. What the Indian Bank has reported this year is Rs. 1,336 crores and 1 will explain it in a moment. I am not defending it. These are the net losses as a result of a variety of steps. These are not losses in a normal commercial business sense. These are losses by applying certain norms which apply only to the banking industry. Let us take the case of Indian Bank because it will illustrate the point. Sir, in the case of Indian Bank, as I said, there was an operating profit or an operating loss, as the case may be. And after that what is required to be done is to provide for three items. One is NPA. The second is provision of depreciation on an investment as per the RBI guidelines. And the third is provision for interest tax. In this year, 1995-96, Indian Bank may be even in operating losses. That is one of the eight banks which make losses. But, the provision for NPA is Rs. 980 crores. So, Rs. 1,336 include Rs. 980 crores which is a provisioning loss. It includes Rs. 104 crores which is a provision of depreciation because the RBI revised its guidelines on mart to market. Then it provides interest tax of Rs. 27 crores. Indian Bank's performance was not something to be proud of. It suffered an oneratino loss of Rs. 223 crores. But the remainder, the aitterence between Rs. 223 crores and Rs. 1,034 crores is because of the provisioning losses, provision of depreciation and provision for interest tax. This is a special manner of accounting which is applied all over the world for banks. When did we introduce it? We introduced it only from the year 1992-93. Therefore, there is no real comparison between the balance-sheet of a bank after 1992-93 and the

balance-sheet of the same bank prior to 1992-93. It is only when Basle norms were applied after the Narashimam Committee and we said that these provisioning losses have to be applied and these provisioning losses have to be shown that bank's balance-sheets started to be cleaned up.

Now, in short what happened was as one Member hinted at it here, while other banks did this cleaning up in 1992-93, 1993-94 and 1994-95, the Indian Bank was negligent or delinquent in doing so. And this is where the problem arose. The RBI finally put down its foot and said, "No, you shall make all the provisioning losses of 1995-96." So, with all the provisioning loss in 1995-96, the balance sheet appears to be a terrible balance-sheet. But Ihis has nothing to do with the inherent health of the bank. Let me assure you that a*t* the end of the year, the health of the bank will be substantially restored and at the end of 31.3.1998, the bank will be one of the profit-making banks. It is a case of bad management; it is a case of poor supervision; it is a case, to some extent, of failure of the Ministry of Finance to be vigilant at the appropriate time. It is a failure of all those who were key-players in the system. Today it is not my business to find fault. My business is to learn the lessons from where the failures have taken place and set things right so that at the end of the next year the health of the bank is substantially restored and it begins to make a profit.

I do not wish to go into the various charges, the various accusations made. I sincerely hope Mr. Satish Agarwal was speaking the truth, the whole truth and nothing but the truth. He said that he was not making any charges against me. If he is not making any charges against me, I do not have to 'respond to anything. Charges can have political overtones, charges can^have political undertones, as a sense of hurt, as a sense of loyalty. All this is acceptable. Members of Parliament write to me; Members of Parliament come to me and give letters and say 'recommend this loan, speak to the Chairman.' Do I immediately come to the conclusion that he has got monetary gain in it? Do I come to the conclusion that he is guilty of arty kind of negligence? In public life—all of us are in public life—recommendations are made. People come and say, "Why don't you tell the Finance Minister because the Finance Minister picks up the telephone and tells the bank to lend." We just cannot do that. It does not mean that everybody who makes a recommendation is guilty of something or culpable. The point is that the system wst be insulated from political interference. The system must be Insulated from interference from top. Bankers must be allowed to function as professionals. I had a long session with bank chairmen. It started at 6-6.30 in the evening, as I was late from Parliament. The meeting went late into the night. We

came to certain conclusions. Newspapers have reported it. But let me share it with the House.

The bankers wanted a much greater degree of autonomy. I support it. You cannot have it both ways. You cannot have the cake and eat it too. You cannot say, on the one hand, that banks must be professional; and, on the other, say: 'we will exercise total control over the banks'. I reject that argument.

Parliament must exercise control at the macro level. But there is a system. The Reserve Bank of India must exercise control as the Central Bank. Since the function of supervision has been given to the Reserve Bank of India, and a Board of Supervision has been set up, that Board would exercise supervisory control. Beyond this, I think the banks must be given a great of degree of autonomy. It would be my endeavour to give banks a great degree of autonomy.

I have already issued a number of orders giving banks a large degree of autonomy in matters of reward and

punishment, and personnel. Only a few days ago—on 30th November, if I remember .right—the Reserve Bank of India issued a circular, asking banks to delegate a larger amount of authority to the field formations so that credit which has to be given at the field level could be given by the officers. I will continue working towards giving a greater degree of autonomy to the banks.

The second issue which the chairman raised was; they said: 'you must give us a system which distinguishes between commercial misjudgment and • crime. Today, they feel—I am not saying this; I am only reporting to you what they had said—that the system does not distinguish between commercial misjudgement and crime. 1 said that I would have to go into the matter. On this, I cannot act alone. I have to act in consultation with my colleagues in the Government; particularly, the Prime Minister. We will have to have a system which is clearly acceptable to everybody; and, it must be able to distinguish between genuine commercial misjudgment and crime; those who are not guilty of any crime of culpable negligence must be protected and defended. I am working on it. Something of what I had said has been reported in the newspapers. 1 am working on it. 1 will have to carry the Cabinet with me on it. I hope, within a year or so, we will have in place a system in which genuine, honest, *bona fide,* bank transactions are not brought under any cloud or any enquiry or investigation.

Sir, Mr. Gurudas Das Gupta, and my friend Mr. Narayanasamy, have raised a number of important questions.

Mr. Narayanasamy raised the question *pi* implementation of the JPC report. I "Would only draw his kind attention to the

Actoin Taken Report on the report of the JPC which was placed before Parliament in December, 1994. I believe, this contains the action taken on the JPC's recommendations.

Mr. Narayanasamy also raised the question of NPAs. It is a very important question. The NPAs, of the banking system, today—as a number of hon. Members have mentioned—amount, approximately, to Rs. 40,000 crores. But the silver-lining in the cloud is, while the NPA ratio has...

SHRI SATISH AGARWAL: Gone down.

SHRI P. CHIDAMBARAM: While the NPA ratio has declined substantially—it is now, approximately....

SHRI SATISH AGARWAL: Nineteen per cent.

SHRI P. CHIDAMBARAM: It is 19 per cent or so.

While the NPA ratio is 19 per cent or so, lending after 1992-93 the NPA is only 3.5 per cent. This is the silver-lining. The bulk of the NPAs. - are prior 1992-93 NPAs. While the percentage of NPAs, to the total advances appears to be large, in the post 1992-93 period, after the norms were established, the NPA percentage, i.e. incremental NPA to incremental lending, is only 375 per cent.

3.00 P.M.

It means, banks are now more careful in lending, banks are more vigilant, there is better quality of lending and there is better recovery of loans. As to what we have to do about the old loans; I am addressing the questions. The Chairmen have suggested to me a method, I have suggested to them a method. Only five or six batiks require a special mechanism. •For "example, some banks are doing pretty well in recovery. Some banks are unable to do so, partly because of fear, partly because of the complexity of the cases. We are trying to find a system by which the pre-1992 NPAs, what I call, the sticky NPAs, can'be quickly resolved by a speedy way of settlement. There is no point in carrying these NPAs in your balance' sheet. Any businessman will know that an old loan is no satisfaction Although it is shown as an asset, it is no

satisfaction: it remains'ln the book. It is much better that you recover something. But we will have to find a way in which the old NPAs can be liquidated in *A* transparent and open manner and the quality of lending, which has improved after 1992, is maintained so that the NPA percentage drops sharply in the years to come.

Sir, some reference was made to the Debt Recovery Tribunal. My officers have reviewed it: I have not yet reviewed it. My officers who have reviewed it reported to me that they are not happy with the Debt Recovery Tribunal's functioning, because there are in-built deficiencies in the DRT. But the Judges who man the DRT also have told me that they are unable to function because of inbuilt constraints. So I have called a meeting of both the Judges who man the DRT as well as my officers in the Reserve Bank. Shortly after this session of Parliament is over, I hope to address this question. What is the use of having one Recovery Officer for a DRT which has jurisdiction over two or three States? What will he recover, what will he attach? So we have to find a way by which the" DRT can be made effective. Some money has been recovered through the DRT, but it is a very small amount compared to the large amount of cases pending before the DPT. I will address the question of the DRT' These, I think, will answer Mr. Narayanasamy's main points, although I feel that there are several other important points which deserve an answer.

Now, Mr. Gurudas Das Gupta has quite rightly raised the question of capital provided since the reforms. It is true that capital has been provided to capitalise the banks. But that is not a cash outflow. About Rs. 15,800 crores were provided, but they are immediately re-invested in the capitalisation bonds of the Government of India which earn an interest of 10 per cent. There is no cash outflow from the budget. It is only a means of accounting in order to improve the balance sheet of a bank. But as you know, I have said in my Budget speech; that three banks have returned part of the capital which they took, and as more banks become healthy, I expect that they will return the capital which they had taken from the Government and which, eventually, will cancel these bonds.

Now; what is the policy in writing off of loans? Detailed guidelines have been issued by the RBI, and each bank has reissued these guidelines to its officers. I don't wish to read out these guidelines, but these detailed guidelines set out how to compromise and negotiate a settlement, whaT'is the objective, the need for compromise, the policy on concession, the quantum of concessions that can be granted, the security approach, the net-worth approach, then the decision-making level, exercise of delegated powers and the reporting system to higher authority. So, detailed guidelines are there. Infect, I think, it is because these guidelines are too detailed and too rigid that not enough compromise and negotiations are taking place. Anyway, that is a separate issue which we will have to address, once we have a system by which we can Mguktatft. the old NPAs.

As far as delinquency of borrowers is concerned, I have repeatedly said that Parliament makes laws, and it is under Parliament's laws that certain secrecy provisions have to be observed. Now, suit-filed accounts are made public once in six months. The entire statement of suit-filed accounts is in the Parliament Library. But all other non-suit-filed accounts; that is, the list of defaulters, is not made public. Under the law and the (guidelines we cannot make it public, but we circulate it to all the banks and all the financial institutions. The RBI circulates it in order t*o* caution them about the I defaulters so that they can be cautious about lending to defaulters.

The suit-filed accounts are in the - Library.

There was some reference to the Bank of Thanjavur and the Indian Bank. I think there is a lot of misinformation. The Bank of Thanjavur merged with the Indian Bank on 19-8-89 when the gentleman whose name was mentioned, was not the Chairman^ but some other person was the Chairman. We did not have the Narasiman Committee, and we did not have the NPA At that time the measure was Not Readily. Realisable Account and a health code. I think the health code was pretty bogus. The Narasrmham Committee had lambasted the health code. That is why we have got new norms now. Anyway, I am not going into that old history. Out of the Not Readily Realisable Account, the total NRR that was merged with the Indian Bank accounts was Rs. 13 crores, not a very large amount. The total write-ojfout pf the NRR, as far as the figures with me are concerned, was only Rs. 59 lakhs. So, let us not allow our imagination to think that crores were written off when the BOT merged with the Indian "Bank. At that time, out of the NRR, Rs. 59.56 lakhs were written off. The rest got merged with the Indian Bank accounts. That is now part of the Indian Bank's blance-shect. When the notification was issued on the 19th of August, 1989, 1 think, none of the persons whose names have been mentioned, were even remotely connected with the BOT's merger with the Indian Bank. I think that the RBI approved that merger. That is why that-. notification approving that merger, was issued.

Sir, Mr. Gurudas Das Gupta raised some larger questions of an Audit Commission for Banks and Parliamentary control. Frankly, I have not applied my mind to . the concept of an Audit Commission. I am aware of the recommendation. I- am also aware of what the CAGs and the AGs have said, that they would like to play their role in auditing of banks. With you sitting in the Chair, I can hardly speak on the subject. This is a very sensitive subject. I will take guidance on an Audit Commission. have have an open mind. I have not aplied my mind to it yet. I will take guidance on what needs to be done for audit of banks. Of course, as I have mentioned in my statement today, there is concurrent audit and there is external audit. If these are not adequate, if we must have another body to audit banks, I will take guidance. I will bring it before the Consultative Committee. I will take guidance from the distinguished gentleman who is now occupying the Chair. I will take guidance from all of you and decide on whether these is need for an Audit Commission.

But on parliamentary control, .please allow me to say. that too iight a control and too detailed a control will simply paralyse commercial banks. We must set the policy. We must control the macrto-economic policy. When you talk, about the priority sector, the agricultural sector, the role of private banks and the role of foreign banks, surely it is the prerogative of Parliament to do that. But, once having set the policy, we must simply leave it to the RBI or the Board of Financial Supervision or the Banking Division or any other agency or any other body that you may set up to control the banks. We ought not to be interfering with the day-to-day affairs of the banks.

Sir, I have no grievance. There is one bank, for example. It is a small subsidiary bank. There are at least ten questions week about that bank in Parliament. In fact, that bank has placed an officer in Delhi- only to answer Parliament questions during Parliament session about transfers, about TA, about hiring of cars etc. How can that be parliamentary control? That is no) parliamentary control. With great respect, that is parliamentary interference. We must debate the policy. We must set the policy, and we must ask the Government at the end of the year, "Now, tell me this. We have set the policy. We have set the objective. What have you achieved against the objective"' The Minister of Finance is bound to stand up and answer what the

-achievement was agamsi the set goal. After that, I think, we should leave the \banks to function as commercial institutions.

A reference was made to some names. It is unfortunate. I deny the charge, and as long a.s I am sitting in this Chair, I will ensure that there is no occasion for the charge that anyone is using any instrument to terrorise or beat into submission anybody or any political party for any ulterior political motive. I don't think that even my most trenchant critics will say that I will do wittingly or that I will allow somebody to do that.

If I find that I have no control over it, 1 will not be here. I will not support any such thing. There is no such thing. It is possible that everybody is a little overactive in these matters. The name of a political leader was mentioned. I have great respect for him. That is why I say I have an authority from the present Chairman of the Indian Bank that he is not a beneficiary of any loan or any account and no case under inquiry was recommended by him. Let me say that very categorically. I have in writing from the Chairman of the Indian Bank that he is not the beneficiary of any particular loan account and that he has not recommended any inquiry in that case. That should satisfy everybody. If anything else comes to my notice, certainly I will share it. This is the information I have. I have it from the authority in writing and I want to make that very clear.

A reference was made to another political party. Now, that political party is a depositor in the Indian Bank for the last 40 years. In fact, I think, it is doing a favour by keeping its money in the Indian Bank. Then why accuse that political party as being a gainer? If Mr. Kumar is in business and if he borrows from the bank, do 1 immediately accuse him of misusing his power? He is a businessman.

SHRI R. K. KUMAR: Sir, I am not making an accusation.

SHRI P. CHIDAMBARAM: Not you. I am not accusing you. I am using your name, because I know you would not take objection. People are businessmen.

SHRI R. MARGABANDU: That political party has withdrwan all the amount.

SHRI P. CHIDAMBARAM: The particular party withdrew all the amount because of the cloud of suspicion. When I spoke to the concerned gentleman and told him that the bank is a sound bank, he put back the money in the bank. While talking about the financial institutions, let us not press the panic button. We must use words carefully. 1 have not doubt in my mind that the Indian Bank is a sound bank. It got into some difficulty, but it will come out of the difficulty. In fact, Sir, it has come out of the difficulty and I want to share some information about the performance of that bank in the last six months. I want to reassure the people of India about the capacity of that bank. That bank is a sound bank. I am talking about its pcrfdmancc from April 1 of this year to December. Core deposits have increase by Rs. 360 crores. Recovery of non-performing assets: Rs. 203 crores have been recovered in the last eight months and another Rs. 150 crores will be recovered by the' end of the year. Yield on advances has increased from 10.19 per cent to 11.50 per cent. Mr. Agarwal will recognise it immediately. Yield on investments has increased from 11.05 per cent @ to 11.08 per cent through better treasury management. Profit budgeting has been introduced. Ratio of operating expenses to total expanses has been brought down from 26.44 to 24.03. Ratio of interest income to total income improved from 88.72 to 90.94. Loss-making branches have been brought down'from 251 to 231 through intensive monitoring. A top management council has been set up. ICRA has given an interim report on how to do the turn [1] around. When we implement the report,

I am confident its health will be restored substantially by the end of this year. Next year it will become a profit-making bank I intend _to visit the Indian Bank on the 27th of this month to meet the employees and officers and to give them a message of confidence that as long as they perform in the right track, the Government wilfrbc fully'suportive of the Indian Bank's efforts to restore its health. 1 want this message of confidence to go to the depositors and the account holders of the Indian Bank.

Sir, I do not wish to take more time. Much remains to be done in restoring the health of the banking system. Much has been done, but much remains to be doneI I will be my endeavour to continue to frame policies and implement them through the Reserve Bank and the Ministry of Finance .so that the health of the banking system is restored. Today in the public sector banks alone we have 45,189 branches. Twentyfour banks out of 27 make an operating profit. Nineteen banks out of 27 make a net profit.

Eight banks do not make a net profit. But I am sure that in the next two ot three years, these banks also will become profitable banks. There is much more to be done. Many more recommendations of the Narasimhan Committee have to be implemented. Sir, a suggestion was made that banks should be merged and we should have giant banks. I also said this in my Harnest memorial lecture. I threw up this idea. It is not an original one. Even the Narasimham Committee also recommend about giant banks. I am glad that many Members have supported it. We need at least four or five banks which arc world-sized banks, giant banks; otherwise we will have to run to foreign banks to finance our large infrastructure projects. The Narasimham Committee recommended three-tier banking. One, giant size banks. Two, national level banks which can take care of most of our national level credit needs. Three, smaller banks, rural banks, local banks which will take care of credit for local areas. I think, we are coming up to that structure. It will take some time. But I am conscious scious of what remains to be done. We will observe Basle norms. We will apply these provisioning norms and • depreciation norms very strictly. We would ensure that balance-sheets reflect the true state, health of the bank. We would encourage banks to exercise autonomy and authority. We would give the freedom. We would encourage them to do quality lending. We would find ways and means to distinguish between commercial misjudgement and culpability of crime. We would also try to improve the flow of credit to industries, to agriculture and to professionals. 1 think we are on the right track. I think if we persevere, we can be safe and can go along on this tract.

While taking note of all these things-—what Dr. Ashok Mitra, Shri Gurudas Das Gupta, Shri Narayanasamy and Shri Satish Agarwal have pointed out—these are good red lights, amber lights, red lights are good to control the traffic—

I would do my very best to ensure that the banking system beomes strong, vital and a productive factor in India's cconb'my.

SHRI R.K. KUMAR: You have not reacted to the allegations ..*{interruptions)*...

SHRI P. CHIDAMBARAM: I have answered that. I have it on the authority of the Chairman that the gentleman concerned had nothing to do with any account which is under inquiry or investigation and it is not going to be beneficial to anyone.

SHRI R.K. KUMAR: The present Chairman was alleged table the leakages selectively. You have not reacted to it.

SHRI V. NARAYANASAMY:That was the allegation made by the hon. Member.

(THE VICE CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI) IN THE CHAIR]

SHRI R. MARGABANDU: I would like to know from the Minister whether it is a fact that the Reserve Bank of India has resisted furnishing the documents to the CBI. ..*(Interruptions)*...

SHRI V. NARAYANASAMY: May I take half a minute? The hon. Minister was giving answers to various points raised by hon. Members.

SHRI P. CHIDAMBARAM: I have to go to the other House. Otherwise, they would find fault with me.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): The Minister has given a very elaborate answer.

SHRl P. CHIDAMBARAM: I have to go to the other House. Please put your question.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Mr. Narayanasamy, put your question.

SHRI V. NARAYANASAMY: I am coming to the question. I am stressing a point. Will the minister ensure publishing a list of defaulters and making it public before the matter goes to court? Once it goes to court, he need not bring it to the notice of the public. It would be published by them. He should not take umbrage under the guise of rules and regulations and all that. If he publishes the list of defaulters of a particular amount or beyond that, according to me, the recovery would be a little more. There would be a psychological pressure un the defaulters. Therefore, I want the Minister to consider it.

SHRI1 P. CHIDAMBARAM: Today I am bound by the rules made under those laws. If that requires a review, certainly, it is a suggestion which I would take into account.

SHRI R. MARGABADU: Is it a fact that the Reserve Bank of India has refused to turnish documents to the CBI to investigate?

SHRI P. CHIDAMBARAM: It is not a fact. Whatever investigation 4s done by the investigating agency, it would receive full cooperation of both the Government and the RBI.

SHRl R.K. KUMAR: You have not reactedd to the wild allegation that the present Chairman is making certain selective leakages. You are exposing the present Chairman. ..*(Interruptions)*...

SHRl P. CHIDAMBARAM: I am not. I have already said that the Chairmn has told me this in writing. I have already said that. I do not believe that anyone will do anything to harm his own bank. I do not believe so.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Thank you, Mr. Chidambaram.

Now we shall take up the Budget (Uttar Pradesh) 1996-97.

SHRI SATISH AGARWAL: Sir, how much time has been allotted for the U.P. Budget?

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Three hours.

SHRI SATISH AGARWAL: That is up to 6 o'clock. Is the short-duration discussion fixed at 6 o'clock or earlier?

THE VICE-CHAIRMAN (SHRl TRILOKI NATH CHATURVEDI): It will be only after the U.P. Budget.

SHRl SATISH AGARWAL: It cannot be after the U.P. Budget because the note' says, "6 o'clock or earlier".

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): I do not think it can be earlier. I think it will have to be at 6 o'clock.

Now Shri Syed Sibtey Razi.